



**UNAUDITED  
ANNUAL FINANCIAL  
STATEMENTS  
FOR THE YEAR  
ENDED  
30 JUNE 2011**



**MBOMBELA LOCAL  
MUNICIPALITY**

Together in partnership, building a Model African City of Excellence

# ANNUAL FINANCIAL STATEMENTS

for

## ***MBOMBELA LOCAL MUNICIPALITY***

for the year ended 30 June:

**2011**

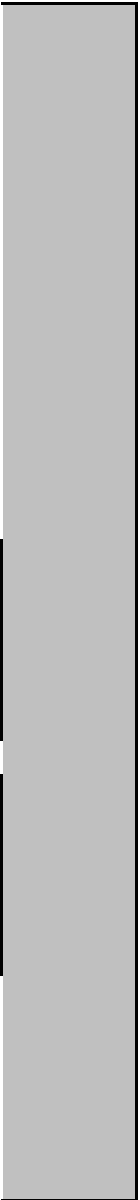
Province:

Mpumalanga

AFS rounding:

***R (i.e. only cents)***

<b>Contact Information:</b>	
<b>Name of Acting Municipal Manager:</b>	Mrs N.T Mthembu
	(013) 759 2001
	<a href="mailto:NorahM@mbombela.gov.za">NorahM@mbombela.gov.za</a>
<b>Name of Acting Chief Financial Officer:</b>	Mr O. P Mokoena
Contact telephone number:	(013) 759 2005
Contact e-mail address:	<a href="mailto:Oupa.Mokoena@mbombela.gov.za">Oupa.Mokoena@mbombela.gov.za</a>
<b>Name of contact at provincial treasury:</b>	Mr H. Silaule
Contact telephone number:	(013) 766 4292
Contact e-mail address:	<a href="mailto:H.Silaule@mpg.gov.za">H.Silaule@mpg.gov.za</a>
<b>Name of contact at the Office of the Auditor General:</b>	Mr B Madliwa
Contact telephone number:	(013) 756 0800
Contact e-mail address:	<a href="http://www.agsa.co.za">www.agsa.co.za</a>
<b>Name of contact at National Treasury:</b>	Ms Matsie Sehlapelo
Contact telephone number:	012 315 5295
Contact e-mail address:	<a href="mailto:Matsi.Sehlapelo@treasury.gov.za">Matsi.Sehlapelo@treasury.gov.za</a>



**MBOMBELA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

<b>INDEX</b>	<b>Page</b>
General Information	
Approval and Certification	
Statement of Financial Position	1
Statement of Financial Performance	2
Statement of Changes in Net Assets	3
Cash Flow Statement	4
Accounting Policies	5-14
Notes to the Annual Financial Statements	15-42
<b>SUPPLEMENTARY SCHEDULES TO THE INTERIM FINANCIAL STATEMENTS</b>	
Appendix A: Schedule of External Loans	43
Appendix B: Analysis of Property, Plant and Equipment	44-45
Appendix C: Segmental Analysis of Property, Plant and Equipment	46
Appendix D: Segmental Statement of Financial Performance	47
Appendix E: Statement of Financial Performance Comparative and Actual	48
Appendix F: Deviations from Supply Chain Management	49-57

**MBOMBELA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**General information**

**Members of the Mayoral Committee & their Portfolios**

Clr LC Dlamini	<b>Executive Mayor</b>
Clr J Sidell	<b>Speaker</b>
Clr TM Manana	Chief Whip
Clr ZM Boroko	Member of Mayoral Committee-City Planning and Development Services
Clr MS Magagula	Member of Mayoral Committee-Finance & Shared Services
Clr C Maseko	Member of Mayoral Committee- Rural Development, Human Settlement, Agriculture, Land Reform & Traditional Affairs
Clr PA Mathe	Member of Mayoral Committee-Community Services
Clr SP Mathonsi	Member of Mayoral Committee-Corporate Services & Co-operative Development
Clr JM Mazibane	Member of Mayoral Committee-Social Services & Community Development
Clr BN Mdhuli	Member of Mayoral Committee-Vulnerable Groups, Transversal & Special Projects
Clr FP Nkala	Member of Mayoral Committee-Public Safety, Public Transport, Health & Environmental Affairs
Clr BA Zulu	Member of Mayoral Committee-Economic Planning, Development and Environmental Affairs

<b>Councillor</b>	<b>Ward</b>	<b>Councillor</b>	<b>Ward</b>
Clr S A Mpangane	1	Clr VL Nzimande	21
Clr MJ Msibi	2	Clr ET Mkhabela	22
Clr MZ Mlumane	3	Clr MJ Mhaule	23
Clr KE Maziya	4	Clr TL Dludlu	24
Clr JN Chibi	5	Clr MC Mhlanga	25
Clr JM Mazibane	6	Clr TM Bulunga	26
Clr L Maseko	7	Clr MS Mashele	27
Clr JA Mkhonto	8	Clr TZ Mhlongo	28
Clr BA Nyundu	9	Clr KR Mabuza	29
Clr MS Mdluli	10	Clr CJ Marais Pienaar	30
Clr EM Mutobvu	11	Clr CN Mnyambo	31
Clr MC Mafotha	12	Clr ST Nobela	32
Clr A Kumba	13	Clr NS Nyalunga	33
Clr KM Mkhonto	14	Clr TN Sifunda	34
Clr F Lange	15	Clr PM Nyalunga	35
Clr CH De kok	16	Clr JJ Khoza	36
Clr GC De-Bruin	17	Clr FJ Zulu	37
Clr JB Mashaba	18	Clr OM Thobela Ngwenyama	38
Clr NW Motubatse	19	Clr DT Nkosi	39
Clr TC Simelane	20		

**MBOMBELA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**General information**

Audit and Performance Audit Committee

A C Keyser (Mr)	Chairperson
E Cousins (Mr)	Member
CA Nkuna (Mrs)	Member
RTO Dipone (Mr)	Member

**Acting Municipal Manager**

Mrs. N. T Mthembu

**Acting Chief Financial Officer**

Mr O. P. Mokoena

**Grading of Local Authority**

Grade 4

**Auditors**

The Auditor-General

**Bankers**

ABSA Bank Nelspruit

griculture, Land

e Support

t

rojects

ergency Services

ironmental Affairs





**MBOMBELA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**General information (continued)**

**Registered Office:**

Nelspruit Civic Centre

**Physical address:**

Civic Centre  
1 Nel street  
Nelspruit  
South Africa

**Postal address:**

P O Box 45  
Nelspruit  
1200

**Telephone number:**

(013) 759 9111

**Fax number:**

(013) 759 2002

**Website address:**

[www.mbombela.gov.za](http://www.mbombela.gov.za)

**Libraries**

Hazyview

(013) 737 7220

Kabokweni

(013) 796 1082

Matsulu

(013) 778 9864

Nelspruit

(013) 759 2077

Nelsville

(013) 755 4788

Victory Park

(013) 759 2089

White River

(013) 750 9125

**Enquiries**

Building Plans

(013) 759 2184

Electricity

(013) 759 2231

Water & Sewerage

(013) 752 2580

Consumers

(013) 759 2025 / 2064

**Paypoints**

White River

(013) 751 1176

KaNyamazane

(013) 794 1254

Matsulu

(013) 778 9061

Kabokweni

(013) 796 0227

Hazyview

(013) 737 7346

Nelspruit Civic Centre

(013) 759 2025 / 2064

**MBOMBELA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**Approval of interim financial statements**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 39, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), other applicable accounting standards and reporting framework approved by the Accounting Standards Board and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. These statements fairly presents the state of affairs of the municipality, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at 30 June 2011.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Co-operative Governance and Traditional Affairs determination in accordance with this Act.

---

Ms NT Mthembu  
Acting Municipal Manager:

---

Mr O P Mokoena  
Acting Chief Financial Officer

**DATE: 30 June 2011**

**MBOMBELA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011**

	Note	2011 R	2010 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>146 716 157</b>	<b>270 763 663</b>
Inventories	2	14 113 997	14 564 714
Trade and other receivables from exchange transactions	3	72 164 674	47 382 007
Other receivables from non-exchange transactions	4	15 057 577	102 419 870
VAT receivable	5	29 606 787	80 532 532
Cash and cash equivalents	6	15 773 122	25 864 540
<b>Non-current assets</b>		<b>5 621 558 174</b>	<b>5 598 393 815</b>
Property, plant and equipment	7	5 189 100 163	5 178 157 928
Intangible assets	8	7 654 584	2 639 212
Investment property carried at cost	9	401 472 930	404 441 230
Biological assets	10	-	-
Non current receivables	11	733 701	1 413 601
Investments	12	22 596 796	11 741 844
<b>Total assets</b>		<b>5 768 274 331</b>	<b>5 869 157 478</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>478 757 482</b>	<b>562 440 282</b>
Current portion of borrowings	13	13 261 347	21 860 836
Consumer deposits	15	1 834 053	1 859 900
Other current financial liabilities	16	73 881 092	71 876 476
Current portion of unspent conditional grants and receipts	18	157 463 789	137 631 553
Current portion of finance lease liability	14	159 100	156 132
Trade and other payables from exchange transactions	19	229 694 099	244 947 278
Defined benefit plan obligations	21	2 464 000	2 063 000
Bank overdraft	6	-	82 045 108
<b>Non-current liabilities</b>		<b>331 686 800</b>	<b>150 584 003</b>
Non-current borrowings	13	175 572 238	35 189 176
Consumer deposits	15	9 725 461	9 169 976
Non-current provisions	17	15 022 308	13 376 042
Deferred revenue	20	6 187 223	769 139
Defined benefit plan obligations	21	125 107 000	91 848 000
Non-current finance lease liability	14	72 570	231 670
<b>Total liabilities</b>		<b>810 444 281</b>	<b>713 024 285</b>
<b>Net assets</b>		<b>4 957 830 050</b>	<b>5 156 133 193</b>
<b>NET ASSETS</b>			
Accumulated surplus		4 957 830 050	5 156 133 193
<b>Total net assets</b>		<b>4 957 830 050</b>	<b>5 156 133 193</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 R	2010 R
<b>Revenue</b>			
Property rates	22	197 864 957	187 192 358
Service charges	23	477 462 458	401 689 880
Finance Income	24	26 353 575	40 416 823
Government grants and subsidies-operating	25	314 328 902	397 738 141
Government grants and subsidies- capital	25	122 032 987	528 044 870
Rental of facilities and equipment	26	24 220 328	1 412 305
Licences and permits		6 231	9 219
Agency fees	27	20 663 295	20 136 561
Fines		3 079 626	3 022 962
Other Revenue	28	42 712 613	36 326 319
<b>Total revenue</b>		<b>1 228 724 972</b>	<b>1 615 989 439</b>
<b>Expenses</b>			
Employee related costs	29	373 174 130	297 222 754
Remuneration of councillors	30	16 952 099	15 604 980
Depreciation and amortisation	31	285 568 520	196 892 033
Bad debts		8 992 990	51 062 666
Finance costs	32	35 869 145	18 821 769
Collection costs		1 519 657	530 080
Repairs and maintenance	37	119 110 969	121 328 886
Bulk purchases	33	271 992 668	206 853 746
Contracted services	34	168 020 945	174 466 694
Grants and subsidies paid	35	271 360	256 000
General expenses	36	150 706 390	213 254 597
<b>Total expenses</b>		<b>1 432 178 872</b>	<b>1 296 294 204</b>
Profit / (Loss) on sale of assets	38	5 150 757	238 323
<b>Surplus (Deficit) for the period</b>		<b>(198 303 143)</b>	<b>319 933 558</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Accumulated Surplus	Total: Net Assets
		R	R
<b>Balance at 30 June 2009</b>		<b>5 850 344 767</b>	<b>5 850 344 767</b>
Surplus for the period		319 933 558	319 933 558
<i>Other items</i>		-	-
Transfers to / from accumulated surplus/(deficit)		-	-
<b>Balance at 30 June 2010</b>		<b>6 170 278 325</b>	<b>6 170 278 325</b>
Prior year error adjustments		(1 014 145 132)	(1 014 145 132)
<b>Restated Balance</b>		<b>5 156 133 193</b>	<b>5 156 133 193</b>
		-	-
Surplus for the period		(198 303 143)	(198 303 143)
<i>Other items</i>			
Prior year error adjustments			
Transfers to / from accumulated surplus/(deficit)			
<b>Balance at 30 June 2011</b>		<b>4 957 830 050</b>	<b>4 957 830 050</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

<b>CASH FLOW STATEMENT AS AT 30 JUNE 2011</b>			
	<b>Note</b>	<b>2011</b>	<b>2010</b>
		<b>R</b>	<b>R</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		1 363 476 642	1 084 623 229
Cash paid to suppliers and employees		(1 115 470 786)	(1 917 829 403)
<b>Cash generated from operations</b>	<b>39</b>	<b>248 005 857</b>	<b>(833 206 174)</b>
Finance Income		26 353 574	40 416 823
Finance costs		(35 869 145)	(18 821 769)
<b>Net cash flows from operating activities</b>		<b>238 490 286</b>	<b>(811 611 120)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment and other assets		(294 513 044)	188 468 217
Intangible assets		(5 015 372)	349 725
Proceeds from disposal of PPE and other assets		6 121 347	-
Proceeds from sale of investments		(10 854 952)	8 275 574
Loans and receivables		679 900	(438 718)
<b>Net cash flows from investing activities</b>		<b>(303 582 121)</b>	<b>196 654 798</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		131 783 573	(8 709 292)
Deferred revenue		5 418 084	-
Repayment of finance lease liability		(156 132)	272 449
<b>Net cash flows from financing activities</b>		<b>137 045 525</b>	<b>(8 436 843)</b>
<b>Net increase / (decrease) in net cash and cash equivalents</b>		<b>71 953 689</b>	<b>(623 393 164)</b>
<b>Net cash and cash equivalents at beginning of period</b>		<b>(56 180 567)</b>	<b>567 212 597</b>
<b>Net cash and cash equivalents at end of period</b>	<b>40</b>	<b>15 773 122</b>	<b>(56 180 567)</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**1 ACCOUNTING POLICIES**

**1.1 BASIS OF PRESENTATION**

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

**1.2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand, which is the functional currency of the Municipality.

**1.3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on the assumption that the Municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 COMPARATIVE INFORMATION**

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

ISSUED BUT NOT YET EFFECTIVE	STANDARD APPLIED
GRAP 18 Segment Reporting	Not applicable
GRAP 20 Related Party Transactions	Not applicable
GRAP 21 Impairment of non-cash-generating assets	IAS 36
GRAP 23 Revenue from Non-Exchange Transactions	GAMAP 9
GRAP 24 Presentation of Budget Information in Financial	Applied
GRAP 25 Employee Benefits	IAS 19
GRAP 26 Impairment of cash generating assets	IAS 36
GRAP 103 Heritage Assets	Not applicable
GRAP 104 Financial Instruments	IAS 39

**1.6 PROPERTY, PLANT AND EQUIPMENT**

**1.6.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Including import duties and non-refundable taxes.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

## 1.6 PROPERTY, PLANT AND EQUIPMENT (cont)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

### 1.6.2 SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### 1.6.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

#### Infrastructure

Roads and Paving	3-80
Pedestrian Malls	15-30
Electricity	3-50
Water	5-55
Sewerage	10-55

#### Community

Buildings	25-30
Recreational Facilities	25-30
Security	10-25
Halls	25-30
Libraries	25-30
Other assets	

#### Finance lease assets

Office equipment	3-15
Other assets	2-10

#### Other

Buildings	25-30
Specialised vehicles	5-10
Other vehicles	4-7
Office equipment	3-15
Furniture and fittings	5-7
Watercraft	4-7
Bins and containers	5-10
Specialised plant and equipment	2-20
Other items of plant and equipment	2-10
Landfill sites	10-55
Emergency equipment	5-10
Computer equipment	3-5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance. (Impairment loss of a revalued asset is treated as a revaluation decrease).



## 1.6 PROPERTY, PLANT AND EQUIPMENT (cont)

### 1.6.4 DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 1.7 INTANGIBLE ASSETS

### 1.7.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

The expenditure attributable to the intangible asset during its development can be reliably measured by the Municipality.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

### 1.7.2 SUBSEQUENT MEASUREMENT

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

### 1.7.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	2-5
-------------------	-----

Each item of intangible asset is amortised separately.

Rights consist mainly of servitudes. Rights are not amortised as they have an indefinite useful life. A servitude right is granted to the Municipality for an indefinite period. The life of the servitude will remain in force as the Municipality exercises its rights under such servitudes.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

The Municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### 1.7.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 1.8 BIOLOGICAL ASSETS

### 1.8.1 INITIAL RECOGNITION

Biological assets include fruit plantations and are initially recognised at fair value less costs to sell. Where fair value is indeterminate, biological assets are initially valued at cost.

## **1.8 BIOLOGICAL ASSETS (contd)**

### **1.8.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Biological assets are valued at fair value at each reporting date. Where fair value is indeterminable, biological assets are depreciated over their estimated useful lives, which are estimated as follows: -  
- Plantations: 30 years

## **1.9 INVESTMENT PROPERTY**

### **1.9.1 INITIAL RECOGNITION**

Investment property includes property (land or a building, or part of a building, or both land or buildings held (by the owner or lessee under a finance lease) to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

### **1.9.2 SUBSEQUENT MEASUREMENT - COST MODEL**

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment properties (excluding land) - 15 to 30 years

## **1.10 NON-CURRENT ASSETS HELD FOR SALE**

### **1.10.1 INITIAL RECOGNITION**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### **1.10.2 SUBSEQUENT MEASUREMENT**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## **1.11 INVENTORIES**

### **1.11.1 INITIAL RECOGNITION**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

### **1.11.2. SUBSEQUENT MEASUREMENT**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

## 1.11 INVENTORIES (cont)

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

## 1.12 FINANCIAL INSTRUMENTS

### 1.12.1 INITIAL RECOGNITION

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The Municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

### 1.12.2 SUBSEQUENT MEASUREMENT

#### 1.12.2.1 INVESTMENTS

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

The Entity classifies its financial assets into the following categories:

- held-to-maturity;
- loans and receivables;
- available-for-sale; and
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the Entity has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Available-for-sale financial assets are financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position date, except for investments in equity instruments that do not have quoted market prices in an active market, and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Changes in Net Assets in the period in which it arises. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the Statement of Financial Position date.
- Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

#### 1.12.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

## **1.12 FINANCIAL INSTRUMENTS (cont)**

### **1.12.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### **1.12.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### **1.12.3 IMPAIRMENT**

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

## **1.13 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions are recognised when the Municipality has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

### **1.14.1 MUNICIPALITY AS LESSEE**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

## 1.14 LEASES (contd)

Operating leases are those leases that do not fall within the scope of the above definition. The aggregate benefit of incentives of Operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

### 1.14.2 MUNICIPALITY AS LESSOR

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## 1.15 REVENUE

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

### 1.15.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

#### Service charges

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality; and
- The amount of the revenue can be measured reliably.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

#### Sale of goods

Revenue from the sale of goods is recognised when substantially all the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

#### Interest, royalties and dividends

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

#### Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

## **1.15 REVENUE(cont)**

### **1.15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

#### **Rates (including collection charges and penalty interest)**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income .

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

#### **Fines**

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

#### **Public donations and contributions**

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, a deferred income (liability) is recognised.

Deferred income relating to government grants are recognised on the following bases:

- Capital contributions to property, plant and equipment: Credited on a systematic basis to the Statement of financial Performance based on the estimated useful life of the plant and equipment.
- Income-related grants subsidising expenses: Credited to the Statement of Financial Performance as revenue when the related expense is recognised

Contributed property, plant and equipment is recognised at fair value, when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

#### **Other**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

### **1.15.3 GOVERNMENT GRANTS, TRANSFERS AND DONATIONS**

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

## **1.16 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The Municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

## **1.17 EMPLOYEE BENEFITS**

### **1.17.1 Short-term employee benefits**

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the Municipality expected to pay in exchange for that service that had accumulated at the reporting date.

### **1.17.2 Termination Benefits**

Termination benefits are recognised when actions have been taken to indicate that the Municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

### **1.17.3 Retirement benefits**

The Municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

#### **Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which the Municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### **Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

Past service costs are recognised immediately where the benefit is vested or are amortised on a straight-line basis over the average period that it will take for such benefits to become vested.

The retirement benefit obligations recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses, unrecognised service cost and the fair value of plan assets. Where an asset results, such asset is limited to unrecognised actuarial losses, past service costs and the present value of available refunds and reductions in future contributions to the plan.

#### **Post employment medical care benefits**

The Municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

## **1.18 CONSTRUCTION CONTRACTS AND RECEIVABLES**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## **1.19 UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.20 IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.21 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### **1.22 VALUE ADDED TAX (VAT)**

The Municipality accounts for Value Added Tax on the payments basis

#### **1.23 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS**

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
- Present value of defined benefit obligation
- Fair value of plan assets
- Provision for doubtful debts
- Impairment of assets
- Provision for long-term service award

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the Municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of assets
- Provisions



**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>2 INVENTORIES</b>		
<b>Opening balance of inventories:</b>	<b>14 564 715</b>	<b>13 758 629</b>
Consumable stores - at cost	1 588 961	1 360 829
Maintenance materials - at cost	5 113 372	5 832 926
Spare parts	7 759 225	6 499 739
Medicines- at realisable value	66 060	49 190
Water	37 097	15 945
<b>Additions:</b>	<b>49 090 150</b>	<b>40 698 944</b>
Consumable stores	4 027 803	4 299 881
Maintenance materials	11 998 713	11 209 942
Spare parts	6 896 876	6 403 406
Medicines	2 276 294	2 748 788
Water	23 890 464	16 036 927
<b>Issued (expensed):</b>	<b>49 540 868</b>	<b>39 892 858</b>
Consumable stores	4 192 214	4 071 749
Maintenance materials	13 130 930	11 929 497
Spare parts	6 218 230	5 143 919
Medicines	2 149 169	2 731 918
Water	23 850 325	16 015 775
<b>Closing balance of inventories:</b>	<b>14 113 997</b>	<b>14 564 714</b>
Consumable stores	1 424 550	1 588 961
Maintenance materials	3 981 155	5 113 371
Spare parts	8 437 871	7 759 225
Medicines	193 185	66 060
Water	77 236	37 097

**3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
<b>Trade Receivables as at 30 June 2011</b>			
Rates	97 553 837	83 295 376	14 258 461
Electricity	47 116 607	13 666 467	33 450 140
Water	20 080 001	15 746 847	4 333 154
Sewerage	10 014 785	7 704 005	2 310 780
Refuse	68 201 410	57 214 837	10 986 573
Interest on arrears	79 987 967	79 157 879	830 088
<b>Total trade receivables</b>	<b>322 954 607</b>	<b>256 785 411</b>	<b>66 169 196</b>
Other	35 486 178	29 490 700	5 995 478
<b>Total Trade and other receivables</b>	<b>358 440 785</b>	<b>286 276 111</b>	<b>72 164 674</b>
<b>Trade Receivables as at 30 June 2010</b>			
Rates	84 068 228	74 712 871	9 355 357
Electricity	47 598 757	17 403 238	30 195 519
Water	18 799 059	18 706 966	92 093
Sewerage	9 374 456	8 015 104	1 359 352
Refuse	57 975 548	55 087 980	2 887 568
Interest	70 961 283	70 218 814	742 469
<b>Total trade receivables</b>	<b>288 777 331</b>	<b>244 144 973</b>	<b>44 632 358</b>
Other consumer related receivable	36 500 192	33 750 543	2 749 649
<b>Total Trade and other receivables</b>	<b>325 277 523</b>	<b>277 895 516</b>	<b>47 382 007</b>

	2011	2010
	R	R
<b>Total: Ageing</b>		
Current (0 – 30 days)	53 406 935	48 246 632
31 - 60 Days	12 114 637	15 511 846
61 - 90 Days	9 830 529	11 691 318
+ 90 Days	283 088 684	249 827 727
<b>Total</b>	<b>358 440 785</b>	<b>325 277 523</b>
<b>Rates: Ageing</b>		
Current (0 – 30 days)	13 687 743	12 402 330
31 - 60 Days	4 172 091	4 683 224
61 - 90 Days	3 500 112	3 678 329
+ 90 Days	76 193 891	63 304 345
<b>Total</b>	<b>97 553 837</b>	<b>84 068 228</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010	
	R	R	
3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)			
Electricity: Ageing			
Current (0 – 30 days)	28 009 268	26 559 411	
31 - 60 Days	3 725 307	5 246 752	
61 - 90 Days	1 714 456	3 487 376	
+ 90 Days	13 667 576	12 305 218	
Total	47 116 607	47 598 757	
Water: Ageing			
Current (0 – 30 days)	1 649 472	1 412 789	
31 - 60 Days	599 324	868 705	
61 - 90 Days	569 174	722 293	
+ 90 Days	17 262 031	15 795 272	
Total	20 080 001	18 799 059	
Sewerage: Ageing			
Current (0 – 30 days)	1 110 052	917 693	
31 - 60 Days	308 128	401 619	
61 - 90 Days	316 620	372 307	
+ 90 Days	8 279 985	7 682 837	
Total	10 014 785	9 374 456	
Refuse: Ageing			
Current (0 – 30 days)	3 254 488	3 220 423	
31 - 60 Days	1 541 849	1 456 705	
61 - 90 Days	1 524 220	1 250 596	
+ 90 Days	61 880 853	52 047 824	
Total	68 201 410	57 975 548	
Interest: Ageing			
Current (0 – 30 days)	1 698 689	1 702 978	
31 - 60 Days	1 534 521	1 661 756	
61 - 90 Days	1 593 446	1 583 773	
+ 90 Days	75 161 311	66 012 776	
Total	79 987 967	70 961 283	
Other: Ageing			
Current (0 – 30 days)	3 997 223	2 031 008	
31 - 60 Days	233 417	1 193 085	
61 - 90 Days	612 501	596 644	
+ 90 Days	30 643 037	32 679 455	
Total	35 486 178	36 500 192	
Summary of Debtors by Customer Classification			
	Residential	Industrial / Commercial	Government
	R	R	R
30 June 2011			
Current (0 – 30 days)	28 186 411	23 276 657	1 943 865
31 - 60 Days	8 274 115	3 100 077	740 445
61 - 90 Days	6 907 826	2 216 382	706 321
+ 90 Days	228 065 275	52 421 153	2 602 258
Total debtors by customer classification	271 433 628	81 014 268	5 992 889
	Residential	Industrial / Commercial	Government
30 June 2010			
Current (0 – 30 days)	25 523 678	20 736 016	1 986 937
31 - 60 Days	9 249 985	4 471 640	1 790 222
61 - 90 Days	6 881 124	2 434 747	2 375 449
+ 90 Days	201 126 752	44 685 510	4 015 463
Total debtors by customer classification	242 781 539	72 327 913	10 168 071
3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)			
Reconciliation of the impairment provision			
Balance at beginning of the year	277 895 516	258 023 680	
Contributions to provision	8 992 990	51 062 666	
Impaired debtors written of against provision	612 335	31 190 830	
Balance at end of year	286 276 171	277 895 516	

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>4 OTHER RECEIVABLES FROM NON - EXCHANGE TRANSACTIONS</b>		
<b>Financial</b>	<b>12 767 393</b>	<b>101 159 803</b>
Conditional Grants	10 906 774	97 675 928
Deposits	180 587	171 585
Interest Received	1 390	32 635
Sundry debtors	-	426 927
Mbombela Stadium Management	788 208	-
Suspense Account	890 434	511 828
Proceeds on disposal of assets	-	2 340 900
<b>Non Financial</b>	<b>2 290 184</b>	<b>1 260 067</b>
Payments made in advance	2 290 184	1 260 067
Insurance	-	-
<b>Total Other receivables from non- exchange transactions</b>	<b>15 057 577</b>	<b>102 419 870</b>
<b>5 VAT RECEIVABLE</b>		
VAT receivable	<b>29 606 787</b>	<b>80 532 532</b>
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
<b>6 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents consist of the following:		
Cash at bank	15 334 465	15 440 411
Operating account	390 173	12 255
Cash on hand	48 485	47 735
Current Investments	-	10 364 140
	<b>15 773 122</b>	<b>25 864 540</b>
Shown on the Statement of Financial Position as: -		
Cash and cash equivalents	15 773 122	25 864 540
Bank overdrafts	-	(82 045 108)
	<b>15 773 122</b>	<b>(56 180 567)</b>
The Municipality has the following bank accounts: -		
<b>Current Account (Primary Bank Account)</b>		
Bank: ABSA Nelspruit		
Account Number: 40-5321-5785		
Cash book balance at beginning of year	(82 045 108)	50 651 120
Cash book balance at end of year	<b>6 092 417</b>	<b>(82 045 108)</b>
Bank statement balance at beginning of year	21 807 841	56 608 129
Bank statement balance at end of year	<b>17 921 207</b>	<b>21 807 841</b>
<b>Spiral Plan</b>		
Bank: ABSA Nelspruit		
Account Number: 90-6703-3766		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	4 283	4 139
Bank statement balance at end of year	<b>4 385</b>	<b>4 283</b>
<b>Saving Account</b>		
Bank: ABSA Nelspruit		
Account Number: 90-6916-6741		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	1 223	1 282
Bank statement balance at end of year	<b>1 162</b>	<b>1 223</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>6 CASH AND CASH EQUIVALENTS (CONTINUE)</b>		
<b>Cheque Account (Housing)</b>		
Bank: ABSA Nelspruit		
Account Number: 40-5414-9088		
Cash book balance at beginning of year	396 632	396 322
Cash book balance at end of year	(145)	396 322
Bank statement balance at beginning of year	396 322	396 322
Bank statement balance at end of year	-	396 322
<b>Cheque Account (Capital)</b>		
Bank: ABSA Nelspruit		
Account Number: 10-7016-6603		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	330 091
Bank statement balance at end of year	-	-
<b>Call Account (Water Deposits)</b>		
Bank: ABSA Nelspruit		
Account Number: 90-6983-8617		
Cash book balance at beginning of year	554 864	1 307 645
Cash book balance at end of year	556 713	554 864
Bank statement balance at beginning of year	554 864	1 307 645
Bank statement balance at end of year	556 713	554 864
<b>Call Account (Grant Funding)</b>		
Bank: ABSA Nelspruit		
Account Number: 90-6983-9003		
Cash book balance at beginning of year	88 005	86 669
Cash book balance at end of year	88 351	88 005
Bank statement balance at beginning of year	88 005	86 669
Bank statement balance at end of year	88 351	88 005
<b>Call Account (Service Contribution)</b>		
Bank: ABSA Nelspruit		
Account Number: 90-7568-1173		
Cash book balance at beginning of year	10 866 451	23 449 105
Cash book balance at end of year	7 390 361	10 866 451
Bank statement balance at beginning of year	9 558 538	23 334 597
Bank statement balance at end of year	5 141 064	9 558 538
<b>Call Account (Taxi Disaster)</b>		
Bank: ABSA Nelspruit		
Account Number: 91-2727-3547		
Cash book balance at beginning of year	26 667	26 246
Cash book balance at end of year	26 848	26 667
Bank statement balance at beginning of year	26 667	26 246
Bank statement balance at end of year	26 848	26 667
<b>Call Account (2010 Soccer World Cup)</b>		
Bank: ABSA Nelspruit		
Account Number: 40-6718-4081		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	<u>2011</u>	<u>2010</u>
	R	R
Bank statement balance at beginning of year	-	
Bank statement balance at end of year	-	-

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>6 CASH AND CASH EQUIVALENTS (CONTINUE)</b>		
<b>Call Account (2010 Soccer World Cup)</b>		
Bank: ABSA Nelspruit		
Account Number: 40-6774-2380		
Cash book balance at beginning of year	2 357	226 972 492
Cash book balance at end of year	5	2 357
Bank statement balance at beginning of year	2 357	226 972 492
Bank statement balance at end of year	-	2 357
<b>Call Account (Mbombela 2010 Host City)</b>		
Bank: ABSA Nelspruit		
Account Number: 40-7502-7970		
Cash book balance at beginning of year	1 933 465	-
Cash book balance at end of year	4 741	1 933 465
Bank statement balance at beginning of year	1 933 465	-
Bank statement balance at end of year	4 755	1 933 465
<b>Call Account (Mbombela 2010 Fan Park Operator)</b>		
Bank: ABSA Nelspruit		
Account Number: 40-7611-2661		
Cash book balance at beginning of year	420 187	-
Cash book balance at end of year	1 019	420 187
Bank statement balance at beginning of year	420 187	-
Bank statement balance at end of year	1 022	420 187
<b>Cheque Account (White River Disaster Fund)</b>		
Bank: ABSA Nelspruit		
Account Number: 40-5141-9472		
Cash book balance at beginning of year	22 816	22 816
Cash book balance at end of year	22 816	22 816
Bank statement balance at beginning of year	25 114	24 412
Bank statement balance at end of year	25 521	25 114
<b>Call Account (Lottery Distribution Trust Fund Mbombela)</b>		
Bank: ABSA Nelspruit		
Account Number: 40-6858-1426		
Cash book balance at beginning of year	1 128 966	1 100 000
Cash book balance at end of year	1 151 339	1 128 966
Bank statement balance at beginning of year	1 128 966	1 100 000
Bank statement balance at end of year	1 151 339	1 128 966
<b>Cheque Account (Stadsraad van NST)</b>		
Bank: ABSA Nelspruit		
Account Number: 10-7000-0209		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
<b>Credit Card</b>		
Bank: ABSA Nelspruit		
Account Number: 4550-1900-2824-5012		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
Bank statement balance at beginning of year	(30)	-
Bank statement balance at end of year	-	(30)
<b>6 CASH AND CASH EQUIVALENTS (CONTINUE)</b>		
<b>Fleet Card</b>		
Bank: ABSA Nelspruit		
Account Number: 7082-8310-0011-1728		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	(18 632)	-
Bank statement balance at end of year	-	(18 632)
<b>Call Deposit</b>		
Bank: Nedbank , Domestic Treasury		
Account Number: 03 / 7881030909 / 000003		
Cash book balance at beginning of year	11 741 844	10 990 902
Cash book balance at end of year	12 402 982	11 741 844
Bank statement balance at beginning of year	11 741 844	10 990 902
Bank statement balance at end of year	12 402 982	11 741 844
A call deposit amounting to R10 172 444 has been invested with Nedbank Bank as security for a loan of R22 000 000 at DBSA		
<b>Fixed Deposit</b>		
Bank: ABSA Nelspruit		
Account Number: 20-7075-3384		
Cash book balance at beginning of the year	-	-
Cash book balance at end of year	10 193 814	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	10 193 814	-
A fix deposit amounting to R9 800 000 has been invested with ABSA as security for a loan of R200 000 000 at DBSA		
<b>Cheque Account</b>		
Bank: ABSA, Prime Link Account		
Account Number: 40-6653-7243		
Cash book balance at beginning of year	12 254	101 820 049
Cash book balance at end of year	390 171	12 254
Bank statement balance at beginning of year	12 254	101 820 049
Bank statement balance at end of year	390 171	12 254
<b>Zero Coupon Bond</b>		
<b>INCA</b>		
Balance at year end	-	2 520 759
Date of investment: 01/12/1999		
Interest rate: 14.51%		
Maturity date: 30/6/2011		
Balance at year end	-	7 843 380
Date of investment: 17/03/2000		
Interest rate: 14.25%		
Maturity date: 30/6/2011		
<b>Cash on hand</b>		
Petty Cash	48 485	47 735
Total cash on hand	48 485	47 735

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**7 PROPERTY, PLANT AND EQUIPMENT**

	Land & Buildings	Infrastructure	Community	Leased Assets	Other Assets	Total
	R	R	R	R	R	R
<b>Reconciliation of Carrying Value 30 June 2011</b>						
<b>Carrying values at beginning of the year</b>	<b>564 003 110</b>	<b>3 181 900 097</b>	<b>1 318 733 580</b>	<b>357 736</b>	<b>113 163 405</b>	<b>5 178 157 928</b>
Cost/Revaluation	604 330 060	3 856 749 627	1 333 197 301	444 086	178 594 421	5 973 315 495
Accumulated depreciation and impairment losses	(40 326 950)	(674 849 530)	(14 463 721)	(86 350)	(65 431 016)	(795 157 567)
Acquisitions	7 512 371	73 018 983	13 180 949		23 740 038	117 452 341
Capital under Construction	1 048 717	173 177 910	2 662 969			176 889 596
Depreciation	4 974 619	186 143 973	73 934 553	86 350	17 289 617	282 429 112
Carrying value of disposals	<b>970 590</b>	-	-	-		<b>970 590</b>
Cost/Revaluation	970 590	-	-	-		970 590
Accumulated depreciation and impairment losses	-	-	-	-		-
<b>Carrying values at the end of the year</b>	<b>566 618 989</b>	<b>3 241 953 016</b>	<b>1 260 642 946</b>	<b>271 386</b>	<b>119 613 826</b>	<b>5 189 100 163</b>
Cost/Revaluation	611 920 558	4 102 946 519	1 349 041 220	444 086	202 334 459	6 266 686 842
Accumulated depreciation and impairment losses	(45 301 569)	(860 993 503)	(88 398 274)	(172 700)	(82 720 633)	(1 077 586 679)
<b>Reconciliation of Carrying Value 30 June 2010</b>						
<b>Carrying values at beginning of the year</b>	<b>542 927 182</b>	<b>2 985 059 361</b>	<b>954 836 183</b>	-	<b>44 100 508</b>	<b>4 526 923 233</b>
<b>Cost/Revaluation</b>	625 695 221	4 596 490 170	966 635 674	-	109 504 397	6 298 325 462
Correction of error	7 760 632	(1 008 662 687)	(137 297)			(1 001 039 352)
Transfers	(55 141 645)					(55 141 645)
Accumulated depreciation and impairment losses	(35 387 027)	(602 768 122)	(11 662 194)	-	(65 403 889)	(715 221 232)
Acquisitions	26 049 045	373 711 696	366 948 405	444 086	80 051 930	847 205 162
Capital under Construction	3 245 444	241 035 049	366 203 078	444 086	71 768 930	682 696 588
	22 803 600	132 676 647	745 327	-	8 283 000	164 508 575
Depreciation	5 006 309	268 350 186	3 135 451	86 350	8 797 841	285 376 137
Correction of error		(91 479 225)	(84 443)			(91 563 668)
Transfers	(33 193)					(33 193)
Carrying value of disposals	-	-	-	-	<b>2 191 191</b>	<b>2 191 191</b>
Cost/Revaluation	-	-	-	-	10 961 906	10 961 906
Accumulated depreciation and impairment losses	-	-	-	-	(8 770 715)	(8 770 715)
<b>Carrying values at the end of the year</b>	<b>564 003 110</b>	<b>3 181 900 097</b>	<b>1 318 733 580</b>	<b>357 736</b>	<b>113 163 405</b>	<b>5 178 157 928</b>
Cost/Revaluation	604 330 060	3 856 749 627	1 333 197 301	444 086	178 594 421	5 973 315 495
Accumulated depreciation and impairment losses	(40 326 950)	(674 849 530)	(14 463 721)	(86 350)	(65 431 016)	(795 157 567)

Refer to Appendix B for more detail on property, plant and equipment



**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**8 INTANGIBLE ASSETS**

**Reconciliation of carrying value  
30 June 2011**

	Computer Software R	Servitudes R	Total R
<b>Carrying values at beginning of the year</b>	<b>625 303</b>	<b>2 013 909</b>	<b>2 639 212</b>
Cost	4 515 094	2 013 909	6 529 003
Accumulated amortisation and impairment losses	(3 889 791)	-	(3 889 791)
Under construction	2 120 258		2 120 258
Acquisitions	489 563	2 576 659	3 066 222
Amortisation	171 108		171 108
<b>Carrying values at the end of the year</b>	<b>3 064 016</b>	<b>4 590 568</b>	<b>7 654 584</b>
Cost	7 124 915	4 590 568	11 715 483
Accumulated amortisation and impairment losses	(4 060 899)	-	(4 060 899)

**Reconciliation of carrying value  
30 June 2010**

	Computer Software R	Servitudes R	Total R
<b>Carrying values at beginning of the year</b>	<b>318 028</b>	<b>2 670 909</b>	<b>2 988 937</b>
Cost	4 063 361	2 670 909	6 734 270
Transfer		(657 000)	(657 000)
Accumulated amortisation and impairment losses	(3 745 333)	-	(3 745 333)
Acquisitions	451 733	-	451 733
Amortisation	144 457	-	144 457
<b>Carrying values at the end of the year</b>	<b>625 303</b>	<b>2 013 909</b>	<b>2 639 212</b>
Cost	4 515 094	2 013 909	6 529 003
Accumulated amortisation and impairment losses	(3 889 791)	-	(3 889 791)

**9 INVESTMENT PROPERTIES**

	2011 R	2010 R
<b>Reconciliation of carrying value</b>		
<b>Carrying values at beginning of the year</b>	<b>404 441 230</b>	<b>407 409 530</b>
Cost	410 639 325	354 807 487
Transfer	-	55 798 645
Accumulated depreciation and impairment losses	(6 198 095)	(3 196 602)
Depreciation	2 968 300	2 935 107
Transfer		33 193
<b>Carrying values at the end of the year</b>	<b>401 472 930</b>	<b>404 441 230</b>
Cost	410 639 325	410 639 325
Accumulated depreciation and impairment losses	(9 166 395)	(6 198 095)

**10 BIOLOGICAL ASSETS**

**Reconciliation of carrying value**

<b>Carrying values at beginning of the year</b>		<b>94 770</b>
Cost	-	110 565
Correction of error	-	(94 770)
Accumulated depreciation and impairment losses	-	(15 795)
Depreciation	-	15 795
Correction of error	-	(15 795)
<b>Carrying values at the end of the year</b>		
Cost	-	-
Accumulated depreciation and impairment losses	-	-

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>11 NON - CURRENT RECEIVABLES</b>		
Housing selling scheme loans	733 701	1 413 601
<b>Total Non - Current Receivables</b>	<b>733 701</b>	<b>1 413 601</b>

There were no defaults on the debtors recognised

**12 INVESTMENTS**

**Held to maturity Investments**

Fixed Deposits	22 596 796	11 741 844
Less Fixed Term portion	-	-
<b>Total Held to Maturity Investments</b>	<b>22 596 796</b>	<b>11 741 844</b>

A fixed deposit amounting to R2 476 512 has been invested with INCA Bank as security

A call deposit amounting to R10 172 444 has been invested with Nedbank Bank as security for a loan of R22 000 000 at DBSA

A fix deposit amounting to R9 800 000 has been invested with ABSA as security for a loan of R200 000 000 at DBSA

**13 BORROWINGS**

Local Registered Stock Loans	3 000	11 903 000
Annuity Loans	188 830 585	45 147 012
	<b>188 833 585</b>	<b>57 050 012</b>
Less : Current portion transferred to current liabilities	13 261 347	21 860 836
Local Registered Stock Loans	3 000	3 000
Annuity Loans	13 258 347	21 857 836
<b>Total Non-Current borrowings</b>	<b>175 572 238</b>	<b>35 189 176</b>

Refer to Appendix A for more detail on borrowings.

Certain investments have been pledged as security for borrowings as indicated in note 12.

**14 FINANCE LEASE LIABILITY**

**30 June 2011**

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
<b>Amounts payable under finance leases</b>			
Within one year	178 395	19 296	159 100
Within two to five years	74 796	2 226	72 570
	<b>253 191</b>	<b>21 521</b>	<b>231 670</b>
Less: Amount due for settlement within 12 months (current portion)			159 100
			<b>72 570</b>

**30 June 2010**

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
<b>Amounts payable under finance leases</b>			
Within one year	194 243	38 111	156 132
Within two to five years	253 192	21 522	231 670
	<b>447 435</b>	<b>59 632</b>	<b>387 802</b>
Less: Amount due for settlement within 12 months (current portion)			156 132
			<b>231 670</b>

The average lease term is 3-5 years and the average effective borrowing rate is 12%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

**15 CONSUMER DEPOSITS**

**NON-CURRENT**

Electricity and Water	9 725 461	9 169 976
Accrued interest	-	-

**CURRENT**

Electricity and Water	1 834 053	1 859 900
Accrued interest	-	-

<b>Total consumer deposits</b>	<b>11 559 514</b>	<b>11 029 876</b>
--------------------------------	-------------------	-------------------

No interest is paid on consumer deposits. The nominal value of consumer deposits is R 17 633 018 (2010 : R16 954 312).

<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>879 260</b>	<b>1 662 410</b>
--	----------------	------------------

**16 OTHER CURRENT FINANCIAL LIABILITIES**

Consumer debt - Vat Liability	19 764 293	18 558 479
Service contributions: Water	2 997 269	4 182 278
Service contributions: Sewerage	594 594	2 233 914
Sundry Deposits	728 541	1 065 434
Amounts paid in advance	31 991 946	28 235 982
Suspense accounts	17 804 450	17 600 389

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>Total Other Liabilities</b>	<b>73 881 092</b>	<b>71 876 476</b>
<b>17 PROVISIONS</b>		
Provision for rehabilitation of landfill sites	10 112 345	9 460 964
Provision for long-service awards	4 909 963	3 915 078
<b>Total Provisions</b>	<b>15 022 308</b>	<b>13 376 042</b>
<p>The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the obligation to rehabilitate the landfill sites using a fair value rate of 11% per annum.</p> <p>The long-service award is payable after every 5 years of continuous service. The provision is an estimate of the long-service based on historical staff turnover and has been determined by an actuary.</p> <p>The movement in the non-current provision is reconciled as follows: -</p>		
<b>Provision for rehabilitation of landfill sites:</b>		
<b>Balance at the beginning of year</b>	9 460 964	8 851 542
Increase in provision due to discounting	651 381	609 422
<b>Balance at the end of year</b>	<b>10 112 345</b>	<b>9 460 964</b>
<b>Provision for long-service awards:</b>		
<b>Balance at the beginning of year</b>	3 915 078	3 317 000
Contributions to provision	1 235 000	833 000
Expenditure incurred	(240 115)	(234 922)
<b>Balance at the end of year</b>	<b>4 909 963</b>	<b>3 915 078</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>18 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>Unspent Conditional Government Grants-Capital</b>	<b>146 372 402</b>	<b>129 925 677</b>
MIG Grant	116 359 653	77 514 343
DWAF	3 975 633	15 067 937
DME	4 302 402	13 246 551
Department of Housing	5	396 620
PTIS grant	-	-
Department of Agriculture and Land Affairs	4 040 000	4 040 000
Department of Roads & Transport	-	1 229 516
DME (Demand Side Management)	5 130 318	7 117 790
MP Housing Department (Phumlani Projects)	6 181 865	2 366 364
NDPG Grant	6 376 969	8 941 000
ICT Library Grant	5 557	5 557
<b>Unspent Conditional Government Grants-Operating</b>	<b>11 091 387</b>	<b>7 705 876</b>
Finance Management Grant	343 632	532 011
Municipal Systems Improvement Grant (MSIG)	569 568	610 401
Municipal Support Programme	-	95 819
Revenue Enhancement programme	-	97 282
2010 Host City Operating Grant	-	5 212 325
Provincial Grants	26 848	26 667
National Lottery Grant	10 151 339	1 131 370
<b>Total Unspent Conditional Grants and Receipts</b>	<b>157 463 789</b>	<b>137 631 553</b>
<b>Unspent Public Contributions</b>	<b>-</b>	<b>-</b>
HL Halls & Sons	-	-
<b>Total Unspent Public Contributions</b>	<b>-</b>	<b>-</b>
<b>Total unspent conditional government grants and public contributions</b>	<b>157 463 789</b>	<b>137 631 553</b>
<b>19 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade creditors	146 011 812	180 512 229
Retentions	41 200 550	35 370 050
Accrued Staff Leave	21 281 748	18 737 824
Accrued Bonusses	6 842 270	6 050 816
Motor Vehicle Licenses Province	9 939 048	4 110 513
Other creditors	4 418 672	165 846
<b>Total creditors</b>	<b>229 694 099</b>	<b>244 947 278</b>
The fair value of trade and other payables approximates their carrying amounts.		
<b>20 DEFERRED REVENUE</b>		
Delta EMD : Opening Balance	769 139	769 139
Delta EMD : Received during the year	5 418 084	-
<b>Total deferred revenue</b>	<b>6 187 223</b>	<b>769 139</b>

This is an advance payment by Delta EMD for the development of a landfill site. Delta EMD will receive preferential pricing on the use of the landfill site. This amount is therefore treated as deferred revenue.

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>21 POST RETIREMENT HEALTH CARE EMPLOYEE BENEFITS</b>		
<p>The Municipality provides certain post-retirement health care benefits to retired staff. These health care benefits are unfunded. The municipality provides a 60% subsidy of medical scheme contribution to eligible in service and continuation members upon retirement subject to a maximum rand cap of R3,277.75 irrespective of marital status.</p>		
<b>21.1 Medical Aid Benefits Expense</b>		
Current service cost	7 487 000	7 455 000
Interest on benefit obligation	8 583 000	6 853 000
Actuarial (gain)/ losses	19 739 000	-
Expected employer benefits	(2 149 000)	(1 994 000)
Net post retirement health care benefit expense	<b>33 660 000</b>	<b>12 314 000</b>
<p><b>The Medical Aid Benefit expense is included in employee remuneration.</b></p>		
<b>21.2 Assumptions for actuarial valuation</b>		
<p>The assumptions made for the actuarial valuation as at 31 December were as follows: -</p>		
Expected medical aid benefit increases	7.75% p.a	7.75% p.a
Discount rate	8.75% p.a	9.25% p.a
Salary inflation	7.25% p.a	7.25% p.a
Expected retirement age (years)	60	60
<p>A one percentage change in the assumed rate of increase of medical aid benefits would have the following effect:</p>		
	<b>Decrease</b>	<b>Increase</b>
	R	R
<b>2011</b>		
Health cost inflation effect on the current service cost	16 756 000	26 307 000
Health cost inflation effect on the defined benefit obligation	105 747 000	153 971 000
Salary inflation effect on the health care benefit obligation	123 815 000	129 625 000
Discount rate effect on the health care benefit obligation	158 256 000	104 779 000
Retirement age effect on the health care benefit obligation	134 370 000	121 019 000
<b>2010</b>		
Health cost inflation effect on the current service cost	12 949 000	20 003 000
Health cost inflation effect on the defined benefit obligation	78 525 000	112 751 000
Salary inflation effect on the health care benefit obligation	91 612 000	95 344 000
Discount rate effect on the health care benefit obligation	115 375 000	77 830 000
Retirement age effect on the health care benefit obligation	99 176 000	89 007 000
<b>21.3 Post-retirement Health Care Benefit Obligation</b>		
Present value of defined obligation (refer 11.4 below)	127 571 000	93 911 000
<b>Net Post-retirement Health Care Benefit Obligation</b>	<b>127 571 000</b>	<b>93 911 000</b>
<b>21.4 Changes in post-retirement Health Care Benefits Obligation</b>		
<p>Changes in the present value of the defined benefit obligation are as follows: -</p>		
Balance at beginning of the year	<b>93 911 000</b>	<b>81 597 000</b>
Current service cost	7 487 000	7 455 000
Interest on benefit obligation	8 583 000	6 853 000
Actuarial (gain)/ loss	19 739 000	-
Expected employer benefits	(2 149 000)	(1 994 000)
<b>Balance at end of year</b>	<b>127 571 000</b>	<b>93 911 000</b>
<p><b>Disclosed in the Statement of Financial Position as follows:</b></p>		
Non-current portion	125 107 000	91 848 000
Current portion	2 464 000	2 063 000
<b>Total Post-retirement Health Care Obligation</b>	<b>127 571 000</b>	<b>93 911 000</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>22 PROPERTY RATES</b>		
<b>Actual</b>		
Residential	77 854 848	69 860 978
Commercial	100 453 478	91 632 424
Agricultural	4 586 868	2 283 142
Government	11 189 800	16 204 556
Other	3 779 963	7 211 258
<b>Total</b>	<b>197 864 957</b>	<b>187 192 358</b>
Property rates - penalties imposed and collection charges	-	-
<b>Total property rates</b>	<b>197 864 957</b>	<b>187 192 358</b>
<b>Valuations</b>		
Residential	21 759 389 033	20 731 971 656
Commercial	9 355 743 642	9 365 887 105
Government	772 906 016	880 406 017
Municipal	2 201 342 203	1 290 113 703
Agriculture	5 914 375 007	5 909 691 007
Other	1 052 378 642	1 062 682 906
<b>Total Property Valuations</b>	<b>41 056 134 543</b>	<b>39 240 752 394</b>
<p>Valuations on land and buildings are performed every four years. The last valuation compiled in accordance with the Municipal Property Rates Act, 2004 came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.</p> <p>A general rate of 0.6646 cent in a Rand (2010 : 0.6452 ) is applied to property valuations to determine property rates. Various rebates are granted to residential, business, agricultural and other properties and/or categories of owners in terms of the approved Property Rates By-Law. A compulsory phasing-in discount is applied on all newly rateable properties in terms of section 21 of the Municipal Property Rates Act, 2004. Rates are levied on a monthly basis on property owners. Interest at 11 % per annum(2010 :15%) is levied on outstanding rates.</p>		
<b>23 SERVICE CHARGES</b>		
Sale of electricity	400 935 299	328 996 570
Sale of water	18 101 387	18 175 602
Refuse removal	45 781 625	41 860 556
Sewerage and sanitation charges	12 644 147	12 657 152
<b>Total Service Charges</b>	<b>477 462 458</b>	<b>401 689 880</b>
<b>24 FINANCE INCOME</b>		
Cash and cash equivalent and investments	5 302 603	16 389 721
Outstanding consumer debtors	18 624 537	20 765 102
Discounting	2 426 435	3 262 000
<b>Total Finance income</b>	<b>26 353 575</b>	<b>40 416 823</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>25 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Capital Grants</b>		
Municipal Infrastructure Grant	71 921 379	54 185 768
Water Services Grant	28 303 304	13 444 391
DME	8 743 525	22 186 641
2010 World Cup Stadium	-	178 940 416
2010 Soccer World Cup (Province)	-	48 000 000
Public Transport Infrastructure Services	4 444 292	185 646 214
DWAF: 2010 Water and Sanitation	-	8 768 749
Library ICT Capital Grant	-	184 859
EPWP Grant	-	740 903
S.A National Roads Agency	-	6 245 684
Department of Roads and Transport	-	655 973
DME : Electricity Demand Side Management	-	4 982 209
Department of Housing	-	3 394 427
MP Housing (Phumlani Projects)	2 556 456	633 636
NDPG Grant	6 064 031	35 000
<b>Total Government Grant and Subsidies (Capital)</b>	<b>122 032 987</b>	<b>528 044 870</b>
<b>Operating Grants</b>		
Equitable Share	247 674 576	198 405 906
Municipal Systems Improvement Grant	790 834	741 872
Finance Management Grant	1 188 379	915 930
Water Services Grant	15 207 000	33 146 000
Municipal Infrastructure Grant (Operating projects)	16 320 310	7 989 290
2010 Host City Operating Grant	5 183 782	50 604 758
SETA Grant	-	940 302
PTIS (Public Transport Plan 2010)	14 030 857	101 394 276
Office of the Premier : Chile base camp	-	748 239
Electrification Programme Grant	11 408 097	1 895 296
Department of Roads and Transport	733 199	-
DWAF: National Water week	-	578 410
EPWP Grant	1 201 697	-
Other Provincial : Library ICT Operating Grant	-	259 584
Other Provincial : Finance Management Grant	-	56 891
Other Provincial : Municipal Support Programme Grant	95 819	41 400
Other Provincial : Revenue Enhancement Grant	97 282	13 957
Other Provincial Department of Housing : Low cost Housing (Masoyi PHP)	397 069	6 032
<b>Total Government Grant and Subsidies (Operating)</b>	<b>314 328 902</b>	<b>397 738 141</b>
<b>Total Government grants and subsidies (Operating and Capital)</b>	<b>436 361 889</b>	<b>925 783 012</b>
<b>Equitable Share</b>	<b>247 674 576</b>	<b>198 405 905</b>
This grant is unconditional and is partially utilised for the indigent support through free basic services.		
<b>Finance Management Grant</b>		
Balance unspent at beginning of year	532 011	697 941
Current year receipts	1 000 000	750 000
Conditions met – transferred to revenue	(1 188 379)	(915 930)
Unspent amount transferred to liabilities (See Note 18)	<b>343 632</b>	<b>532 011</b>
The grant was used for the financial management internship and reforms programmes. The conditions of the grant were met.		
<b>Municipal Systems Improvement Grant</b>		
Balance unspent at beginning of year	610 401	52 273
Current year receipts	750 000	1 300 000
Conditions met – transferred to revenue	(790 833)	(741 872)
Unspent amount transferred to liabilities (See Note 18)	<b>569 568</b>	<b>610 401</b>
This grant was used to fund the Municipal Property Rates Rates Implementation process, Asset Management, Upgrade of financial system and Municipal properties verification. The conditions of the grant were met.		

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>25 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>		
<b>Water Services Grant</b>		
Balance unspent at beginning of year	15 067 937	20 250 451
Current year receipts	20 960 000	27 712 262
Conditions met – transferred to revenue	(32 052 304)	(32 894 776)
Unspent amount transferred to liabilities (See Note 18)	<u>3 975 633</u>	<u>15 067 937</u>
This grant was used to fund the operating expenses for the water schemes transferred to the municipality by DWAF. The conditions of the grant were met.		
<b>2010 Host City Operating Grant</b>		
Balance unspent at beginning of year	5 212 325	-
Current year receipts	-	55 817 083
Conditions met – transferred to revenue	(5 212 325)	(50 604 758)
Unspent amount transferred to liabilities (See Note 18)	<u>-</u>	<u>5 212 325</u>
This grant was used to fund operating expenses for primary health care, service rendered on behalf of the provincial government.		
<b>Municipal Infrastructure Grant</b>		
Balance unspent at beginning of year	77 514 343	3 596 400
Current year receipts	127 087 000	136 093 000
Conditions met – transferred to revenue	(71 921 379)	(54 185 768)
Other adjustments : transferred to operating	(16 320 310)	(7 989 290)
Unspent amount transferred to liabilities (See Note 18)	<u>116 359 654</u>	<u>77 514 343</u>
This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The amount transferred to operating relates to electrification projects and VIP toilets which does not meet the criteria definition of a capital assets hence service delivery was done		
<b>PTIS (Public Transport Plan 2010)</b>		
Balance unspent at beginning of year	(97 431 625)	138 775 865
Current year receipts	105 000 000	50 833 000
Conditions met – transferred to revenue	(4 444 292)	(185 646 214)
Other adjustments : transferred to operating	(14 030 857)	(101 394 276)
Unspent amount transferred to (receivables)/liabilities	<u>(10 906 774)</u>	<u>(97 431 625)</u>
The grant was used to construct new and improve existing public transport and non-motorised transport infrastructure for the 2010 World Cup. The conditions of the grant were met and no funds have been withheld.		
<b>Electrification Programme Grant</b>		
Balance unspent at beginning of year	13 246 551	13 534 487
Current year receipts	1 220 000	23 794 000
Conditions met – transferred to revenue	(10 164 150)	(22 186 641)
Other adjustments : transferred to operating	-	(1 895 296)
Unspent amount transferred to liabilities (See Note 18)	<u>4 302 401</u>	<u>13 246 550</u>
The grant was utilised to instal electricity infrastructure in informal areas. The conditions of the grant were met and no funds have been withheld. The electrification of households expenditure was transferred to operating expenditure as it is not Council 's assets		
<b>2010 World Cup Stadium</b>		
Balance unspent at beginning of year	-	176 451 394
Current year receipts	-	2 489 022
Conditions met – transferred to revenue	-	(178 940 416)
Unspent amount transferred to receivables	<u>-</u>	<u>-</u>
The grant was utilised in the construction of a stadium for the 2010 World Cup. The conditions of the grant were met and no funds have been withheld.		



**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>25 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>		
<b>Other Provincial Grants</b>		
Balance unspent at beginning of year	621 944	727 916
Current year receipts	934	456 752
Conditions met – transferred to revenue (Operating Library ICT)	-	(259 584)
Conditions met – transferred to revenue (Operating Financial Management)	-	(56 891)
Conditions met – transferred to revenue (Operating Municipal Support)	(95 819)	(41 400)
Conditions met – transferred to revenue (Operating Revenue Enhancement)	(97 282)	(13 957)
Conditions met – transferred to revenue (Operating Provincial Housing)	(397 069)	(6 032)
Conditions met – transferred to revenue (Capital Library ICT)	-	(184 859)
Other adjustments	(299)	
Unspent amount transferred to liabilities (See Note 18)	<b>32 409</b>	<b>621 944</b>
The grants were utilised for various projects as set out in the conditions of the Grants		
<b>Department of Agriculture and Land Affairs</b>		
Balance unspent at beginning of year	4 040 000	-
Current year receipts	-	4 040 000
Conditions met – transferred to revenue	-	-
Unspent amount transferred to liabilities (See Note 18)	<b>4 040 000</b>	<b>4 040 000</b>
The grant to be used for co-funding a specific development project.		
<b>2010 SOCCER WORLD CUP (PROVINCE)</b>		
Balance unspent at beginning of year	-	48 000 000
Current year receipts	-	-
Conditions met – transferred to revenue	-	(48 000 000)
Other adjustments	-	-
Unspent amount transferred to liabilities (See Note 18)	-	-
The grant was utilised to co-fund the construction of a stadium for the 2010 World Cup. The conditions of the grant were met.		
<b>S.A National Roads Agency</b>		
Balance unspent at beginning of year	-	6 245 684
Current year receipts	-	-
Conditions met – transferred to revenue	-	(6 245 684)
Other adjustments	-	-
Unspent amount transferred to liabilities (See Note 18)	-	-
The grant to be used for co-funding a specific development project.		
<b>Department of Roads and Transport</b>		
Balance unspent at beginning of year	1 229 516	1 885 490
Current year receipts	-	-
Conditions met – transferred to revenue	(733 199)	(655 974)
Other adjustments	(496 317)	-
Unspent amount transferred to liabilities (See Note 18)	-	<b>1 229 516</b>
The grant to be used for co-funding a specific development project.		
<b>DME (Demand Side Management)</b>		
Balance unspent at beginning of year	7 117 790	-
Current year receipts	8 000 000	12 100 000
Conditions met - transferred to revenue	(9 987 473)	(4 982 210)
Conditions still to be met - remain liabilities	-	7 117 790
Unspent amount transferred to liabilities (See Note 18)	<b>5 130 317</b>	<b>7 117 790</b>
<b>MP HOUSING DEPARTMENT (PHUMLANI PROJECTS)</b>		
Balance unspent at beginning of year	2 366 364	-
Current year receipts	6 371 958	3 000 000
Conditions met - transferred to revenue	(2 556 456)	(633 636)
Unspent amount transferred to liabilities (See Note 18)	<b>6 181 866</b>	<b>2 366 364</b>
The grant to be used for co-funding a specific development project.		

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>25 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>		
<b>NDPG Grant</b>		
Balance unspent at beginning of year	8 941 000	-
Current year receipts	<b>3 500 000</b>	<b>8 976 000</b>
Conditions met - transferred to revenue	(6 064 031)	(35 000)
Unspent amount transferred to liabilities (See Note 18)	<b>6 376 969</b>	<b>8 941 000</b>
Grant to be utilised for the re-development in former R 293 towns.		
<b>NATIONAL LOTTERY GRANT</b>		
Balance unspent at beginning of year	1 131 370	-
Current year receipts	9 019 969	1 131 370
Conditions met - transferred to revenue	-	-
Unspent amount transferred to liabilities (See Note 18)	<b>10 151 339</b>	<b>1 131 370</b>
Grant to be utilised for Sports Development programmes. The conditions of the grant has not been met.		
<b>PUBLIC CONTRIBUTIONS - HL HALLS &amp; SONS</b>		
Balance unspent at beginning of year	-	3 653 136
Current year receipts	-	-
Conditions met – transferred to revenue	-	-
Other adjustments	-	(3 653 136)
Unspent amount transferred to liabilities (See Note 18)	-	-
The grant to be used for co-funding a specific development project.		
<b>26 RENTAL OF FACILITIES AND EQUIPMENT</b>		
Advertising signs	1 149 964	386 707
Flats	243 577	59 251
Halls	253 704	231 798
Sundry grounds and buildings	1 071 384	(246 887)
Mbombela Stadium	20 665 868	-
Personnel Housing	625 556	875 369
Other	210 275	106 067
	<b>24 220 328</b>	<b>1 412 305</b>
<b>27 AGENCY FEE</b>		
Department of Roads & Transport	<b>20 663 295</b>	<b>20 136 561</b>
The municipality acts as an agent for the Department of Roads and Transport in collecting motor vehicle licence fees. The agency fee comprises of a percentage of the fees collected.		
<b>28 OTHER REVENUE</b>		
Service Contributions	8 483 872	14 974 244
Electrical Connections	933 041	4 323 093
Electrical Re-connection Fees	640 242	975 100
Licencing & Testing Grounds	1 226 289	3 143 816
Prescribed Creditors	2 377 546	2 249 834
Administration fees (Debt Collection)	1 346 930	1 856 775
Concession Fee	4 604 860	1 394 496
Water Cost Recovery (Silulumanzi)	11 718 978	1 228 595
Prepaid Commission	1 088 950	1 186 075
Building Plan Fees	1 283 754	851 056
Insurance Claims	769 212	761 867
Township Recovery Cost	24 152	542 794
Burial Fees	386 362	387 164
Sale of Bid Documents	237 118	369 927
Clearance Certificates	434 098	349 124
Coupons - Solid Waste	250 115	232 015
Conference Registration Fees	353 876	-
Refund - WCA	165 678	47 164
Refund SETA	923 955	-
Sales - Sundry	191 661	119 468
Fire Brigade Services	51 394	54 712
Library Fees	43 763	47 753
Sundry Income	5 176 768	1 231 247
	<b>42 712 613</b>	<b>36 326 319</b>
<b>29 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	225 888 531	187 566 501
Employee related costs - Contributions for UIF, pensions and medical aids	58 565 892	50 298 879
Travel, motor car, accommodation, subsistence and other allowances	22 718 420	30 200 682
Housing benefits and allowances	2 477 654	2 432 219
Overtime payments	35 625 625	19 573 892
Long-service awards	844 000	492 000
Post retirement medical benefits	27 054 008	6 658 581
<b>Total Employee Related Costs</b>	<b>373 174 130</b>	<b>297 222 754</b>
There were no advances to employees / loans to employees		
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	-	462 807
Performance- and other bonuses	-	-
Vehicle & Other Allowances	-	92 688
Contributions to UIF, Medical and Pension Funds	-	136 066
<b>Total</b>	-	<b>691 562</b>
<b>Remuneration of the Deputy Municipal Manager</b>		
Annual Remuneration	701 568	511 701
Performance- and other bonuses	-	-

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
Vehicle & Other Allowances	147 437	126 729
Contributions to UIF, Medical and Pension Funds	203 805	158 610
<b>Total</b>	<b>1 052 810</b>	<b>797 040</b>
<b>29 EMPLOYEE RELATED COSTS (continue)</b>		
<b>Remuneration of the Chief Finance Officer</b>		
Annual Remuneration	730 970	554 902
Performance- and other bonuses	-	-
Vehicle & Other Allowances	234 221	73 091
Contributions to UIF, Medical and Pension Funds	190 748	147 093
<b>Total</b>	<b>1 155 939</b>	<b>775 085</b>
	Technical Services R'000	Corporate Services R'000
<b>2011</b>		Community Services R'000
Annual Remuneration	620 104	581 111
Performance- and other bonuses	-	-
Vehicle & Other Allowances	145 515	159 074
Contributions to UIF, Medical and Pension Funds	137 909	185 677
<b>Total</b>	<b>903 528</b>	<b>925 861</b>
<b>Remuneration of Individual General Managers</b>		
	Technical Services R'000	Corporate Services R'000
<b>2010</b>		Community Services R'000
Annual Remuneration	452 454	428 094
Performance- and other bonuses	-	-
Vehicle & Other Allowances	132 807	110 707
Contributions to UIF, Medical and Pension Funds	101 079	147 539
<b>Total</b>	<b>686 340</b>	<b>686 340</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>30 REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	573 394	557 425
Deputy Executive Mayor	47 390	274 502
Speaker	310 860	289 528
Executive Committee Members	1 737 228	1 303 363
Councillors	7 722 063	7 121 248
Councillors' pension and medical aid contributions	1 814 383	1 677 253
Councillors' allowances	4 746 781	4 381 660
<b>Total Councillors' Remuneration</b>	<b>16 952 099</b>	<b>15 604 980</b>
<b>In-kind Benefits</b>		
The Executive Mayor, Deputy Executive Mayor, Speaker and Members of the Mayoral Committee are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Executive Mayor has use of the Council owned vehicle for official duties. The Executive Mayor has been allocated staff for protective services.		
Council provided security at the private residences of the Executive Mayor and several other councillors through private security firms at the cost to Council.		
<b>31 DEPRECIATION AND AMORTISATION</b>		
Property, plant and equipment	282 429 112	193 779 276
Intangible assets	171 108	144 457
Investment property carried at cost	2 968 300	2 968 300
Biological assets	-	-
<b>Total Depreciation and Amortisation</b>	<b>285 568 520</b>	<b>196 892 033</b>
<b>32 FINANCE COSTS</b>		
Borrowings	20 698 559	8 290 741
Deferred Settlements terms	5 545 205	2 125 604
Provisions	9 625 381	8 405 422
<b>Total Finance Costs</b>	<b>35 869 145</b>	<b>18 821 768</b>
<b>33 BULK PURCHASES</b>		
Electricity	266 498 671	205 774 372
Water	5 493 996	1 079 374
<b>Total Bulk Purchases</b>	<b>271 992 668</b>	<b>206 853 746</b>
<b>34 CONTRACTED SERVICES</b>		
Contracted services for:		
2010 related professional services & Stadium Management	30 333 141	69 458 195
Electricity Demand side management	9 987 473	-
Formalisation and Township Development	12 219 091	3 590 880
Household electrification & sanitation projects	23 438 009	17 916 413
Water purification and distribution	43 455 581	22 782 101
IT Services	9 575 145	12 336 616
Meter reading services	1 802 566	3 213 089
Solid Waste Services	23 178 878	19 488 217
Security Services	11 348 407	7 272 593
Other services	2 682 653	18 408 590
<b>Total Contracted Services</b>	<b>168 020 945</b>	<b>174 466 694</b>
<b>35 GRANTS AND SUBSIDIES PAID</b>		
Grant to SPCA for animal care	271 360	256 000
<b>Total Grants and Subsidies Paid</b>	<b>271 360</b>	<b>256 000</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>36 GENERAL EXPENSES</b>		
Included in general expenses are the following:-		
Advertising	1 001 662	733 827
Agency prepaid commission	1 582 517	1 191 929
Asset Management Plan	1 338 721	5 204 628
Audit fees	4 274 908	2 386 998
Bank charges	1 904 407	1 161 106
Bursaries	1 986 994	910 703
Chemicals	732 329	984 015
Cleansing hawkers Stalls	29 180	29 300
Conferences and delegations	1 503 303	455 814
Consultation and Development	23 035 984	1 152 066
Clearing Illegal dumping	333 291	608 307
Drivers Licence cards	1 490 591	957 719
Entertainment & Refreshments	680 862	601 167
Electricity (own usage)	20 244 852	17 278 686
Free Basic Water	17 500 000	6 700 000
Free Basic Electricity	1 561 605	1 330 607
Financial management grant	1 188 379	915 948
HIV /Aids programme	163 366	193 678
Insurance	5 854 575	3 794 820
Legal costs	3 894 923	2 929 696
Marketing	609 133	4 811 055
Public Participation	1 846 947	990 827
Public Transport Operational Plan Grant (Operating projects)	14 030 857	101 022 447
Membership fees	1 660 206	1 585 151
Postage	1 680 378	1 622 672
Printing and stationery	2 998 355	2 995 580
Recruiting and Selection	339 996	386 939
Rental of office equipment	322 699	481 553
Rental of telephone system	745 800	736 136
Skills development levies	2 681 929	2 236 113
Sewerage & Water : Silulumanzi	5 796 431	5 288 478
Telephone	4 991 736	5 062 758
Training	4 064 485	2 338 007
Travel and subsistence	3 120 196	3 905 116
Ward committees	1 949 789	453 979
Valuation roll costs	1 522 231	2 632 227
Other	12 042 774	27 184 545
<b>Total General Expenses</b>	<b>150 706 390</b>	<b>213 254 597</b>
<b>37 REPAIRS AND MAINTENANCE</b>		
Roads	49 757 343	48 306 833
- Dirt Roads	35 267 463	34 948 808
- Streets & Storm water	14 489 880	13 358 025
Water and Sewerage Infrastructure & Services	19 596 038	20 498 509
Vehicles	17 347 893	16 974 532
Electrical Infrastructure & Services	16 268 930	13 594 287
Parks, Gardens and Open Spaces	4 418 338	5 828 982
Buildings	5 031 974	4 379 489
Machinery & Equipment	1 467 411	4 272 819
Traffic Control Equipment	1 549 157	1 813 291
Landfill Site and Waste Removal Services	2 173 050	1 423 746
Sport Facilities	642 652	669 912
Other	858 182	3 566 486
	<b>119 110 969</b>	<b>121 328 886</b>
<b>38 PROFIT (LOSS) ON DISPOSAL OF ASSETS</b>		
Property, plant and equipment	5 150 757	238 323
<b>Total Profit (Loss) on Disposal of Assets</b>	<b>5 150 757</b>	<b>238 323</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>39 CASH GENERATED BY OPERATIONS</b>		
Surplus/(deficit) for the year	(198 303 143)	319 933 558
Adjustment for:-		
Non-cash items:		
(Gain) / loss on sale of assets	(5 150 757)	(238 323)
Contribution to provisions - non-current	35 306 266	21 282 132
Depreciation and amortisation	285 568 520	196 892 033
Impairment loss / (reversal of impairment loss)	8 992 990	51 062 666
Cash items		
Finance costs	35 869 145	18 821 769
Prior year adjustments		(1 047 056 332)
Finance Income	(26 353 575)	(40 416 823)
<b>Operating surplus before working capital changes:</b>	<b>135 929 446</b>	<b>(479 719 320)</b>
Decrease in inventories	450 717	(806 085)
Increase in trade receivables	(33 775 657)	(53 154 379)
(Increase)/decrease in other receivables	87 362 293	(101 382 340)
(Increase)/decrease in VAT	50 925 745	(60 229 014)
(Decrease)/increase in conditional grants and receipts	19 832 236	(276 553 248)
Increase/(decrease) in trade payables	(15 253 178)	147 706 343
Increase/(decrease) in consumer deposits	529 638	369 594
Increase in other liabilities	2 004 617	(9 437 725)
<b>Cash generated by/(utilised in) operations</b>	<b>248 005 857</b>	<b>(833 206 174)</b>
<b>40 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	15 773 122	25 864 540
Bank overdrafts	-	(82 045 108)
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>15 773 122</b>	<b>(56 180 568)</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>41 CORRECTION OF ERROR</b>		
The net surplus for the year has been adjusted by the following errors:-		<b>227 699 683</b>
Correction of depreciation due to incorrect capitalisation of roads infrastructure		91 579 463
Interest on Land fill site provision previously incorrectly provided		(500 332)
Grant funding repaid in the previous year incorrectly recognised under contracted services		3 653 136
Correction of retention discounting in the previous year		20 666
Correction of 2008/2009 discounting of creditors		(1 800 956)
Reversal of retention interest incorrectly accrued in the previous year		519 820
Capital projects incorrectly capitalised in the previous expensed		(6 167 346)
Correction of 2009/2010 discounting of creditors		2 318 218
Discounting of borrowings due to sale and cession		923 116
Recognition of conditional service contributions revenue utilised in the previous year		1 688 091
<b>Net effect on surplus</b>		<b>92 233 875</b>
<b>Restated surplus for the period</b>		<b>319 933 558</b>
The opening accumulated surplus has been adjusted for the following errors:-		<b>6 078 044 449</b>
Net effect on surplus		92 233 875
Correction of Infrastructure assets due to unbundling		(918 500 605)
Correction of depreciation due to incorrect capitalisation of roads infrastructure		(91 579 463)
Reversal of Interest on discounted Retention for previos year		8 114
Correction of 2008/2009 discounting of creditors		1 800 956
Reversal of the refuse removal charges incorrectly billed in the rural unserved areas		(5 889 135)
Adjustment of Incorrect billing		15 000
<b>Net effect on the opening balance of the accumulated surplus</b>		<b>(1 014 145 132)</b>
<b>Restated balance</b>		<b>5 156 133 192</b>
Assets		921 630 931
Liabilities		280 325
Net effect on Statement of Financial Position		921 911 256

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>42 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-
<b>Fruitless and wasteful expenditure</b>		
Reconciliation of Fruitless and Wasteful expenditure		
Opening balance	333 858	370 675
Fruitless and Wasteful Expenditure expenditure current year	3 187 025	20 428
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	(57 245)
Unauthorised expenditure awaiting authorisation	<b>3 520 883</b>	<b>333 858</b>

Incident	Disciplinary steps/criminal proceedings	Amount
Late payment of invoices / statutory payments that Council had a contractual / statutorial obligation to pay		2 954 385
Interest charged due to corrections relating to a VAT Audit conducted by the South African Revenue Services		232 640

**Irregular expenditure**

Reconciliation of Irregular Expenditure

Opening balance	154 800 410	2 845 434
Irregular expenditure current year	587 374	153 580 292
Approved by Council or Condoned	-	-
Transfer to receivables for recovery	-	(1 625 316)
Amount Recovered	(105 000 000)	-
<b>Irregular expenditure awaiting authorisation</b>	<b>50 387 784</b>	<b>154 800 410</b>

Incident	Disciplinary steps/criminal proceedings	Amount
SCM processes not properly followed		587 374

**43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT AND APPLICABLE REGULATIONS**

**Contributions to SALGA**

Opening balance	-	-
Council subscriptions	1 649 930	1 556 540
Amount paid - current	(1 649 930)	(1 556 540)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>

**Audit fees**

Opening balance	238 633	232 858
Current year audit fee	2 261 317	2 393 224
Amount paid - current year	(314 821)	(674 510)
Amount paid - previous years	(2 089 611)	(1 712 939)
<b>Balance unpaid (included in payables)</b>	<b>95 518</b>	<b>238 633</b>



**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>43 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT AND APPLICABLE REGULATIONS (Continue)</b>		
<b>VAT</b>		
Opening Balance	80 532 532	20 499 662
Total Amount claimed from SARS during the year	54 009 724	120 625 288
Total Amount received during the year	(103 804 253)	(59 983 805)
Adjustments after 31 December / 30 June	(1 131 216)	(608 612)
Amount due to the municipality	<b>29 606 787</b>	<b>80 532 532</b>
VAT input receivables are shown in note 5. All VAT returns have been submitted by the due date throughout the year.		
<b>PAYE and UIF</b>		
Opening balance	-	-
Current year payroll deductions	43 782 084	34 041 301
Amount paid - current year	(43 782 084)	(34 041 301)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	56 301 113	48 500 534
Amount paid - current year	(56 301 113)	(48 500 534)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
<b>Councillor's arrear consumer accounts</b>		
<b>2010/11</b>	<b>60 Days</b>	<b>90 Days and +</b>
	<b>Total</b>	
Councillor Consumer Accounts in arrears as at 30 June 2011	<b>2 488</b>	<b>167 416</b>
	<b>169 904</b>	
<b>2009/10</b>		
No Councillor was in arrears during the reporting period		
<b>Deviations from Supply Chain Management Policy</b>		
<b>Total deviations from Supply Chain Management</b>	<b>19 858 290</b>	<b>27 713 497</b>
Refer to Appendix F		
<b>44 CAPITAL COMMITMENTS</b>		
<b>Commitments in respect of capital expenditure</b>		
<b>Approved and contracted for</b>	<b>201 847 368</b>	<b>183 134 767</b>
Infrastructure	186 548 234	156 435 636
Community	8 755 835	4 105 029
Other	6 543 299	22 594 102
<b>The expenditure will be financed from</b>	<b>201 847 368</b>	<b>183 134 767</b>
Accumulated Surplus	57 187 409	80 281 092
External Loans	72 637 761	12 146 524
Government Grants	72 022 198	90 707 151

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>45 RELATED PARTIES</b>		
Members of key management and the remuneration thereof are set out in Note 28.		
The remuneration of councillors and other in-kind benefits is set out in Note 29		
The Municipality has an interest in MEDA, which is a dormant Section 21 Company.		
<b>Related party balances</b>		
.		
There is no related party indebtedness.		
<b>Related party transactions</b>		
Contracts awarded to the Employees of the State	-	1 427 110
Contracts awarded to own Employees	-	81 422
	-	1 508 532
Refer to note 41 regarding UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		

**46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Municipality has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and

**Credit risk**

Is the risk of financial loss to the Municipality if a consumer or counterparty to a financial instrument fails to meet its contractual obligations.

- Consumer and other receivables
- Investments
- Loans receivable
- Cash and cash equivalents

Consumer and other receivables

The Municipality's consumer and other receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each

Investments

It is the Municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high

Loans receivable

Other loans are monitored on an ongoing basis and only credit worthy counterparties are transacted with. No loans have been pledged as security.

Cash and cash equivalents

The Municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South

	2011 R	2010 R
Maximum exposure to credit risk at reporting date was:		
Held-to-maturity investments	22 596 796	10 364 137
Cash and cash equivalents	15 773 122	13 275 420
<b>Total maximum exposure to credit risk (excluding loans and receivables)</b>	<b>38 369 918</b>	<b>23 639 557</b>
Maximum exposure to credit risk at reporting date for loans and receivables as per counter parties was:		
Consumer debtors and other receivables	72 164 674	53 256 142
Other receivables	15 057 577	114 685 848
<b>Total maximum exposure to credit risk for loans and receivables</b>	<b>87 222 251</b>	<b>167 941 990</b>

**46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Impairment losses

All of the Municipality's financial assets have been reviewed for indicators of impairment. Certain receivables and investments were found to be impaired and a provision of **R 256 785 411** (2010: R 244 144 972) has been recorded accordingly. The impaired consumer receivables are mostly due from consumers defaulting on service costs levied by the Municipality. Refer to Note 3 for the impairment reconciliation of consumer and other

Some of the unimpaired consumer receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	2011 R	2010 R
Not more than 180 days	40 467 628	49 495 695
More than 180 days but not more than 1080 days	128 303 332	125 262 869
More than 1080 days	117 505 151	103 136 952
	<b>286 276 111</b>	<b>277 895 515</b>
The ageing of impaired consumer receivables at reporting date was as follows:		
	2011 R	2010 R
Not more than 180 days	8 992 990	51 062 666
More than 180 days but not more than 1080 days	-	-
More than 1080 days	-	-
	<b>8 992 990</b>	<b>51 062 666</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R

**Market risk**

Market risk is the risk that changes in the market prices, such as interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments.

*Interest rate risk*

The Municipality limits its interest rate risk on financial liabilities by ensuring that reasonable fixed interest rates are negotiated on long term borrowings.

**46 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continue)**

At reporting date the interest rate profile of the Municipality's interest bearing financial instruments was:

**Fixed rate instruments**

Financial assets	12 087 912	10 364 137
Financial liabilities	-	57 973 128

**Variable rate instruments**

Financial assets	-	-
Financial liabilities	-	-

*Fair value sensitivity analysis on fixed rate instruments*

The Municipality does not account for any fixed rate financial assets and liabilities at fair value through surplus and deficit, therefore a change in interest rates at reporting date will not affect surplus for the year.

**Liquidity risk**

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality's approach to

The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting

**MBOMBELA LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	R	R
<b>47 CONTINGENT LIABILITIES</b>		
	<b>R</b>	
<b>Damage Claims</b>	<b>749 469</b>	
- Prollius E / MLM - Defamation claim against Council and its employee (vicarious liability). Matter defended – independent legal advice obtained & there are reasonable prospects of MLM succeeding with its defence.	80 000	
- Nkumane MS / MLM - Defamation / actio injuria – claim against MLM and its employee (vicarious liability)	70 000	
- Tshisaphumngo / MLM - Unlawful arrest & detention and malicious criminal prosecution by traffic officers. Case is defended. There are no merits to the claim.	160 000	
- Neetling J / MLM - General and special damages claim emanating from falling into a manhole	70 000	
- Helberg LM / MLM - Motor vehicle repairs (within excess)	7 248	
- Bellim MK / MLM - Storm water damage to property in Nellsville	12 221	
- Joubert D / MLM - Loss of income (tender 50/2010) – under investigation	350 000	
<b>- Contract Claims</b>	<b>16 044 916</b>	
- Telegenix / MLM - Procurement dispute – MLM terminated a services contract with Telegenix following a court order. Telegenix is claiming for loss of income from Council. Matter defended – the contract was terminated by operation of the law.	7 000 000	
- Ensemble Trading / MLM - Procurement dispute – claim emanates from a cession of payment agreement which was not honoured by MLM. Case is being defended.	2 000 000	
- SCINFIN / MLM - Procurement dispute – claim emanates from termination of a service contract between Council and Gestetner, which was ceded to SCINFIN. Case is defended.	450 000	
- Mbombela Stadium Joint Venture - balance at year end	2 383 826	
- Roadcrete Africa Joint Venture Mataffin Road Access System, Public Transport System; Stadium Boulevard	2 334 240	
- Roadcrete Africa Joint Venture Kanyamazane Pedestrian Bridge	779 559	
- Sillulumanzi / MLM - Abortive Costs (Bid 21/2006) following termination of contract.	1 097 291	
	<b>16 794 385</b>	
<b>48 CONTINGENT ASSETS</b>		
<b>Contract Claims</b>	<b>7 320 000</b>	
- Du Toit Smuts Mathews Phosa Attorneys - Breach of contract	320 000	
- Desert Wind Properties - Recovery of services contribution and breach of contract	7 000 000	
<b>Labour Claims</b>	<b>505 077</b>	
- Ngwenya SD & Others - Leave days claims from former employees	10 000	
- Phelembe BP - Enrichment action (payment of undue salary)	33 000	
- Mthombeni & Others - Overpayment of officials during October 2009	462 077	
	<b>7 825 077</b>	
<b>49 COMPARISON WITH THE BUDGET</b>		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix C and E.		
<b>50 POST BALANCE SHEET EVENTS</b>		

**MBOMBELA LOCAL MUNICIPALITY**  
**SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**APPENDIX A**

**SCHEDULE OF INTEREST BEARING BORROWINGS AS AT 30 JUNE 2011**

Borrowings	Loan No.	Redeemable	Balance at 30 June 2010	Interest paid during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2011
			R	R	R	R	R
<b>INTEREST BEARING</b>							
<b>Local Registered Stock</b>							
Stock Loan@ 11.60%	3	1976/2001	3 000	-	-	-	3 000
Stock Loan@ 17.20%	79A	30/06/2011	2 900 000	249 400	-	2 900 000	-
Stock Loan@ 17.00%	80A	30/06/2011	9 000 000	765 000	-	9 000 000	-
			<b>11 903 000</b>	<b>1 014 400</b>	<b>-</b>	<b>11 900 000</b>	<b>3 000</b>
<b>Annuity Loans</b>							
ABSA R14 350 000 @13.10%		2002/2012	5 162 704	314 504	-	2 022 467	3 140 238
DBSA R22 000 000 @15.50%		1998/2016	16 573 008	1 240 008	-	1 630 191	14 942 817
DBSA R200 000 000 @ 12.62%		2010/2030		3 110 198	156 309 722	3 907 743	152 401 979
STD R25 000 000 @ 10.50%		2005/2020	2 505 533	1 034 043	-	2 505 533	0
INCA R8 300 000 @12.61%		2001/2011	1 418 670	127 665	-	1 418 670	0
INCA R 25 000 000 @12.61%		2002/2011	19 487 097	72 285	-	2 064 662	18 345 552
			<b>45 147 012</b>	<b>5 898 703</b>	<b>156 309 722</b>	<b>13 549 266</b>	<b>188 830 585</b>
<b>TOTAL INTEREST BEARING BORROWINGS</b>			<b>57 050 012</b>	<b>6 913 103</b>	<b>156 309 722</b>	<b>25 449 266</b>	<b>188 833 585</b>

**MBOMBELA LOCAL MUNICIPALITY**  
**SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**APPENDIX B**  
**ANALYSIS OF PROPERTY, PLANT & EQUIPMENT**

	HISTORICAL COST								ACCUMULATED DEPRECIATION								Carrying Value	
	Opening Balance 01 July 2010	Correction of error	Transfers	Additions/ Transfers	Under Construction	Correction of error	Disposals	Closing Balance	Opening Balance	Correction of error	Transfers	Additions/ Transfers	Correction of error	Transfers	Disposals	Impairment losses		Closing Balance
	R			R	R		R	R	R			R			R	R	R	R
LAND AND BUILDINGS	604 330 060	-	-	7 512 371	1 048 717		970 590	611 920 558	40 326 950	-	-	4 974 619	-	-	-	-	45 301 569	566 618 989
Civic land & buildings and other	572 517 283	-	-		1 048 717		970 590	572 598 410	38 152 782	-	-	4 579 873	-	-	-	-	42 732 658	529 862 755
Land fill site	31 812 777	-	-	7 512 371	-		-	39 325 148	2 174 167	-	-	394 746	-	-	-	-	2 568 913	36 756 235
INFRASTRUCTURE	3 856 749 625	-	-	73 018 983	173 177 910		-	4 102 946 518	674 849 530			186 143 973					860 993 503	3 241 953 015
Roads, pavements, bridges & stormwater	1 531 714 590	-	-	10 446 222	51 320 660		1 593 481 472	1 077 263 353	332 460 217	-	-	107 726 353	-	-	-	-	440 186 570	1 153 294 902
Water reservoirs & reticulation	1 190 097 725	-	-	10 422 401	83 502 801		-	1 284 022 927	217 065 377	-	-	35 320 399	-	-	-	-	252 385 776	1 031 637 151
Car parks, bus terminals & taxi ranks	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
Electricity	506 370 515	-	-	20 984 361	32 021 599		559 376 475	65 129 187	-	-	-	19 414 747	-	-	-	-	84 543 934	474 832 541
Sewerage purification & reticulation	628 566 796	-	-	31 165 999	6 332 850		666 065 645	60 194 748	-	-	-	23 682 474	-	-	-	-	83 877 222	582 188 423
Housing	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
Refuse sites	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
Other (town planning & development)	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
COMMUNITY ASSETS	1 333 197 301	-	-	13 180 949	2 662 969		-	1 349 041 219	14 463 721			73 934 554	-	-	-	-	88 398 275	1 260 642 944
Parks & gardens	33 316 257	-	-	-	-		33 316 257	501 694	-	-	-	100 696	-	-	-	-	602 390	32 713 867
Sports fields	1 262 978 025	-	-	13 180 949	-		1 276 158 974	8 681 960	-	-	-	72 661 480	-	-	-	-	81 343 440	1 194 815 534
Community halls	20 297 491	-	-	-	2 662 969		22 960 460	3 007 416	-	-	-	837 077	-	-	-	-	3 844 493	19 115 967
Libraries	2 467 485	-	-	-	-		2 467 485	394 096	-	-	-	97 263	-	-	-	-	491 359	1 976 126
Recreational facilities	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
Clinics	517 625	-	-	-	-		517 625	233 301	-	-	-	26 197	-	-	-	-	259 498	258 127
Museums & art galleries	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
Cementaries	13 620 418	-	-	-	-		13 620 418	1 645 254	-	-	-	211 841	-	-	-	-	1 857 095	11 763 323
INVESTMENT PROPERTIES	410 639 325						410 639 325	6 198 095				2 968 300					9 166 395	401 472 930
INTANGIBLES	6 529 003	-	-	3 066 222	2 120 258		11 715 483	3 889 791				171 108					4 060 899	7 654 584
Software and other	4 515 094	-	-	489 563	2 120 258		7 124 915	3 889 791	-	-	-	171 108	-	-	-	-	4 060 899	3 064 016
Servitudes	2 013 909	-	-	2 576 659	-		4 590 568	-	-	-	-	-	-	-	-	-	-	4 590 568
BIOLOGICAL ASSET	-						-	-	-			-					-	-
OTHER ASSETS	148 330 080	-	-	14 065 963	-		162 396 043	60 217 052				13 729 711					73 946 763	88 449 280
Other motor vehicles	82 729 348	-	-	6 577 276	-		89 306 624	26 771 127	-	-	-	9 719 224	-	-	-	-	36 490 351	52 816 273
Plant & equipment	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
Office equipment	22 762 660	-	-	2 579 939	-		25 342 599	14 220 799	-	-	-	1 342 648	-	-	-	-	15 563 447	9 779 152
Markets	272 496	-	-	-	-		272 496	53 568	-	-	-	9 074	-	-	-	-	62 642	209 854
Security measures (including fencing)	387 955	-	-	-	-		387 955	383 139	-	-	-	69 078	-	-	-	-	452 217	(64 262)
Other (including IT)	42 177 621	-	-	4 908 748	-		47 086 369	18 788 419	-	-	-	2 589 687	-	-	-	-	21 378 106	25 708 263
SPECIALISED VEHICLES	30 264 341	-	-	9 674 075	-		39 938 416	5 213 963				3 559 906					8 773 869	31 164 547
Refuse	14 661 554	-	-	-	-		14 661 554	3 716 630	-	-	-	2 476 396	-	-	-	-	6 193 026	8 468 528
Conservancy	4 381 066	-	-	-	-		4 381 066	746 831	-	-	-	-	-	-	-	-	1 768 148	2 612 918
Fire	11 221 721	-	-	9 674 075	-		20 895 796	476 016	-	-	-	336 679	-	-	-	-	812 695	20 083 101
SUB TOTAL	6 390 039 735	-	-	120 518 563	179 009 854		970 590	6 688 597 562	805 159 102	-	-	285 482 171	-	-	-	-	1 090 641 273	5 597 956 289
Leased Assets	444 086						444 086	86 350				86 350					172 700	271 386
Office equipment	444 086	-	-	-	-		444 086	86 350	-	-	-	86 350	-	-	-	-	172 700	271 386
TOTAL	6 390 483 821	-	-	120 518 563	179 009 854		970 590	6 689 041 648	805 245 452	-	-	285 568 521	-	-	-	-	1 090 813 973	5 598 227 674

	HISTORICAL COST									ACCUMULATED DEPRECIATION									Carrying Value
	Opening Balance 01 July 2009	Correction of error	Transfers	Additions/ Transfers	Under Construction	Correction of error	Transfers	Disposals	Closing Balance 30 June 2019	Opening Balance	Correction of error	Transfers	Additions/ Transfers	Correction of error	Transfers	Disposals	Impairment losses	Closing Balance	
	R			R	R		R		R	R			R		R	R		R	
LAND AND BUILDINGS	625 695 221	7 760 632	(55 174 838)	3 245 444	22 803 600		-		604 330 060	35 387 027	-	(33 193)	5 006 309	-	(33 193)	-	-	40 326 950	564 003 110
Civic land & buildings and other	622 602 594	-	(55 174 838)	163 857	4 925 669		-		572 517 283	33 429 764	-	(33 193)	4 789 404	-	(33 193)	-	-	38 152 782	534 364 501
Land fill site	3 092 627	7 760 632	-	3 081 587	17 877 931		-		31 812 777	1 957 262	-	-	216 905	-	-	-	-	2 174 167	29 638 610
INFRASTRUCTURE	4 596 490 170	(1 113 452 240)	-	241 035 048	138 843 994	(6 167 347)	-		3 856 749 625	602 768 122	(104 789 553)	-	268 350 186	(91 479 225)	-	-	-	674 849 530	3 181 900 095
Roads, pavements, bridges & stormwater	2 594 826 405	(1 222 536 615)		124 865 503	34 559 297		-		1 531 714 590	342 081 523	(111 601 990)	-	200 272 346	(98 291 662)	-	-	-	332 460 217	1 199 254 373
Water reservoirs & reticulation	1 028 706 109	38 641 492	4 915 812	71 016 780	45 490 984		1 326 547		1 190 097 725	179 687 209	3 313 405	433 440	29 991 428	3 313 405	326 490		-	217 065 377	973 032 348
Car parks, bus terminals & taxi ranks	-	-	-	-	-		-		-	-	-	-	-	-	-		-	-	-
Electricity	385 127 844	68 603 653		32 058 246	29 001 494	(4 982 210)	(3 438 512)		506 370 515	43 988 022	3 299 545		14 542 075	3 299 545			65 129 187	441 241 328	
Sewerage purification & reticulation	587 829 812	1 839 230	(4 915 812)	13 094 519	29 792 219	(1 185 137)	2 111 965		628 566 796	37 011 368	199 487	(433 440)	23 544 336	199 487	(326 490)		-	60 194 748	568 372 048
Housing	-	-	-	-	-		-		-	-	-	-	-	-	-		-	-	-
Street lighting	-	-	-	-	-		-		-	-	-	-	-	-	-		-	-	-
Refuse sites	-	-	-	-	-		-		-	-	-	-	-	-	-		-	-	-
Other (town planning & development)	-	-	-	-	-		-		-	-	-	-	-	-	-		-	-	-
COMMUNITY ASSETS	966 635 674	(386 778)	-	366 203 078	745 327	-	-		1 333 197 301	11 662 194	(249 481)	-	3 135 451	(84 443)	-	-	-	14 463 721	1 318 733 580
Parks & gardens	33 965 330	(649 073)		-	-		-		33 316 257	826 941	(348 249)	-	86 176	(63 174)	-	-	-	501 694	32 814 563
Sports fields	897 195 503	-	-	365 782 522	-		-		1 262 976 025	6 969 616	-	-	1 712 344	-	-		-	8 681 960	1 254 296 065
Community halls	19 363 106	-	-	420 556	513 829		-		20 297 491	1 979 455	-	-	1 027 961	-	-		-	3 007 416	17 290 075
Libraries	2 467 485	-	-	-	-		-		2 467 485	295 864	-	-	98 232	-	-		-	394 096	2 073 389
Recreational facilities	-	-	-	-	-		-		-	-	-	-	-	-	-		-	-	-
Clinics	517 625	-	-	-	-		-		517 625	209 035	-	-	24 266	-	-		-	233 301	284 324
Museums & art galleries	-	-	-	-	-		-		-	-	-	-	-	-	-		-	-	-
Cementaries	13 126 625	262 295	-	-	231 498		-		13 620 418	1 381 283	98 768		186 472	(21 269)			-	1 645 254	11 975 164
INVESTMENT PROPERTIES	354 807 487	-	55 831 838	-	-	-	-		410 639 325	3 196 602	-	33 193	2 935 107	-	33 193	-	-	6 198 095	404 441 230
INTANGIBLES	6 734 270	-	(657 000)	451 733	-	-	-		6 529 003	3 745 333	-	-	144 457	-	-	-	-	3 889 791	2 639 212
Software and other	4 063 361	-	-	451 733	-		-		4 515 094	3 745 333	-	-	144 457	-	-	-	-	3 889 791	625 303
Servitudes	2 670 909	-	(657 000)	-	-		-		2 013 909	-	-	-	-	-	-	-	-	-	2 013 909
BIOLOGICAL ASSET	110 565	(110 565)	-	-	-	-	-		-	15 795	(15 795)	-	15 795	(15 795)	-	-	-	-	-
OTHER ASSETS	92 678 443	-	-	65 488 170	-	-	9 836 533		148 330 080	61 846 078	-	-	6 122 335	-	-	7 751 361	-	60 217 052	88 113 028
Other motor vehicles	50 031 328	-	-	41 155 532	-		8 457 513		82 729 348	29 201 265	-	-	4 148 577	-	-	6 578 715	-	26 771 127	55 958 221
Plant & equipment	-	-	-	-	-		-		-	-	-	-	-	-	-	-	-	-	-
Office equipment	19 299 648	-	-	4 079 920	-		616 908		22 762 660	14 081 418	-	-	696 617	-	557 236	-	-	14 220 798	8 541 861
Markets	272 496	-	-	-	-		-		272 496	44 495	-	-	9 074	-	-		-	53 568	218 928
Security measures (including fencing)	387 955	-	-	-	-		-		387 955	314 061	-	-	69 078	-	-		-	383 139	4 816
Other (including IT)	22 687 017	-	-	20 252 717	-		762 112		42 177 621	18 204 840	-	-	1 198 990	-	-	615 410	-	18 788 419	23 389 202
	-	-	-	-	-		-		-	-	-	-	-	-	-		-	-	-
	-	-	-	-	-		-		-	-	-	-	-	-	-		-	-	-
SPECIALISED VEHICLES	16 825 954	-	-	6 280 761	8 283 000	-	1 125 373		30 264 341	3 557 811	-	-	2 675 506	-	-	1 019 354	-	5 213 963	25 050 378
Refuse	9 464 994	-	-	5 196 561	-		-		14 661 554	1 535 341	-	-	1 535 341	-	-	-	-	3 716 630	10 944 924
Conservancy	4 179 242	-	-	1 084 200	-		882 376		4 381 066	1 057 683	-	-	746 831	-	-	783 197	-	1 021 317	3 359 749
Fire	3 181 718	-	-	-	8 283 000		242 997		11 221 721	318 838	-	-	393 335	-	-	236 157	-	476 016	10 745 705
SUB TOTAL	6 659 977 784	(1 106 188 951)	-	682 704 234	170 675 922	(6 167 347)	10 961 906		6 390 039 735	722 178 963	(105 054 829)	-	288 385 146	(91 579 463)	-	8 770 715	-	805 159 102	5 584 680 633
Leased Assets	-	-	-	444 086	-	-	-		444 086	-	-	-	86 350	-	-	-	-	86 350	357 736
Office equipment	-	-	-	444 086	-		-		444 086	-	-	-	86 350	-	-	-	-	86 350	357 736
TOTAL	6 659 977 784	(1 106 188 951)	-	683 148 320	170 675 922	(6 167 347)	10 961 906		6 390 483 821	722 178 963	(105 054 829)	-	288 471 496	(91 579 463)	-	8 770 715	-	805 245 452	5 585 238 369

**MBOMBELA LOCAL MUNICIPALITY**

**SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**APPENDIX C  
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)**

	Actual R	Under Construction R	Total Additions R	Budget R	Variance R	Variance %	Explanations of significant variances greater than 10% versus budget
Finance & Administration	2 460 966		2 460 966	3 082 863	621 897	20.17%	
Corporate Services & Administration	6 639 342		6 639 342	10 350 181	3 710 839		
Planning and Development	783 946		783 946	2 596 273	1 812 327	69.80%	
Community and Social Services	2 662 969		2 662 969	16 319 170	13 656 201	83.68%	
Public Safety	10 258 729		10 258 729	15 811 075	5 552 346	35.12%	
Sports and Recreational	13 180 949		13 180 949	47 310 000	34 129 051	72.14%	
Waste Management	36 413 409	6 892 969	43 306 379	111 252 035	67 945 656		
Roads Transport	8 963 379	52 857 399	61 820 778	142 680 484	80 859 706	56.67%	
Water	16 632 951	83 592 902	100 225 853	188 741 967	88 516 114		
Electricity	26 261 858	31 926 850	58 188 708	118 137 361	59 948 653		
<b>TOTAL</b>	<b>124 258 497</b>	<b>175 270 120</b>	<b>299 528 617</b>	<b>656 281 409</b>	<b>356 752 792</b>	<b>54.36%</b>	



**MBOMBELA LOCAL MUNICIPALITY**

**SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**APPENDIX D  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**

<b>2010 ACTUAL INCOME R</b>	<b>2010 ACTUAL EXPENDITURE R</b>	<b>2010 SURPLUS / (DEFICIT) R</b>		<b>2011 ACTUAL INCOME R</b>	<b>2011 ACTUAL EXPENDITURE R</b>	<b>2011 SURPLUS / (DEFICIT) R</b>
249 758 902	241 291 210	8 467 693	Executive & Council	24 554	24 729 406	(24 704 852)
237 517 255	142 475 715	95 041 541	Finance & Admin	486 375 156	235 980 811	250 394 345
2 355 924	30 784 348	(28 428 424)	Planning & Development	5 384 009	55 412 461	(50 028 452)
271 730	10 918 406	(10 646 676)	Health	369 191	7 808 380	(7 439 189)
1 728 370	47 024 649	(45 296 279)	Community & Social Services	833 226	43 806 646	(42 973 420)
3 084 503	64 456 356	(61 371 853)	Public Safety	25 075 941	64 506 269	(39 430 328)
185 814 292	13 986 015	171 828 277	Sport & Recreation	41 231 249	157 621 922	(116 390 673)
42 802 094	76 863 970	(34 061 876)	Waste Management	46 063 440	98 444 588	(52 381 148)
423 205 295	186 068 115	237 137 179	Road Transport	71 518 832	192 886 929	(121 368 097)
27 350 188	22 360 168	4 990 020	Waste Water (Sewerage)	52 202 743	111 938 374	(59 735 631)
103 063 239	121 372 183	(18 308 944)	Water	85 058 744	99 080 081	(14 021 337)
339 037 647	338 693 069	344 577	Electricity	414 587 887	339 963 005	74 624 882
1 615 989 439	1 296 294 204	319 695 235	<b>Sub-Total</b>	1 228 724 972	1 432 178 872	(203 453 900)
238 323	-	238 323	Gain/(Loss) on sale of assets	5 150 757	-	5 150 757
<b>1 616 227 762</b>	<b>1 296 294 204</b>	<b>319 933 558</b>	<b>Total</b>	<b>1 233 875 729</b>	<b>1 432 178 872</b>	<b>(198 303 143)</b>

# MBOMBELA LOCAL MUNICIPALITY

## APPENDIX E

### STATEMENT OF FINANCIAL PERFORMANCE COMPARATIVE AND ACTUAL INFORMATION

#### SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Description	Original Budget	Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.to Council approved virement policy)	Final Budget	Actual	Variance	% Variance	Explanations of significant variances greater than 10% versus budget	Actual Outcome as a % of original budget
<b>Financial Performance</b>									
Property Rates	207 226 320	207 226 320	-	207 226 320	197 864 957	(9 361 363)	-4.52%		95.48%
Service Charges	507 239 240	507 239 240	-	507 239 240	477 462 458	(29 776 782)	-5.87%		94.13%
Finance Income	36 686 199	23 612 883	-	23 612 883	26 353 575	2 740 692	11.61%	Discounting of Retention and Trade Creditors in terms of GRAP 104	71.84%
Transfers Recognised - Operational	266 873 400	329 183 183	-	329 183 183	314 328 902	(14 854 281)	-4.51%		117.78%
Other Own Revenue	170 327 351	135 346 799	-	135 346 799	95 832 850	(39 513 949)	-29.19%	Agency Fees budget provision based on total receipts including portion paid to Department of Roads and Transport	56.26%
<b>Total Revenue (Excluding Capital Transfers &amp; Contributions)</b>	<b>1 188 352 510</b>	<b>1 202 608 425</b>	<b>-</b>	<b>1 202 608 425</b>	<b>1 111 842 742</b>	<b>(90 765 683)</b>	<b>-7.55%</b>		<b>93.56%</b>
Employee Costs	336 519 100	350 569 088	-8 472 019	342 097 069	373 174 130	31 077 061	9.08%		110.89%
Remuneration Of Councillors	18 089 380	17 289 380	-	17 289 380	16 952 099	(337 281)	-1.95%		93.71%
Debt Impairment	50 234 470	59 166 193	-	59 166 193	8 992 990	(50 173 203)	-84.80%	Re-assessment of the collectability of Debtors	17.90%
Depreciation & Asset Impairment	51 279 140	352 484 390	-	352 484 390	285 568 520	(66 915 870)	-18.98%	Re-assessment of useful life of assts and correction of error regarding the capitalization of Roads Infrastructure	556.89%
Finance Charges	28 984 420	21 669 755	-554 074	21 115 681	35 869 145	14 753 464	69.87%	Interest cost due to provisions in terms of IAS 19	123.75%
Materials & Bulk Purchases	295 423 000	298 154 288	6 094 538	304 248 826	303 147 123	(1 101 703)	-0.36%		102.61%
Transfers & Grants	271 360	271 360	-	271 360	271 360	-	0.00%		100.00%
Other Expenditures	387 690 140	393 119 018	85 164 625	478 283 643	408 203 505	(70 080 138)	-14.65%	Projects budgeted under CAPEX were expensed as the criteria definition of an asset was not met in accordance with the standards of GRAP	105.29%
<b>Total Expenditure</b>	<b>1 168 491 010</b>	<b>1 492 723 472</b>	<b>82 233 070.00</b>	<b>1 574 956 542.00</b>	<b>1 432 178 872</b>	<b>(60 544 600)</b>	<b>-3.84%</b>		<b>122.57%</b>
<b>Surplus/(Deficit)</b>	<b>19 861 500</b>	<b>(290 115 047)</b>	<b>-82 233 070.00</b>	<b>-372 348 117.00</b>	<b>-320 336 129.96</b>	<b>(30 221 083)</b>	<b>8.12%</b>		<b>-1612.85%</b>
Transfers Recognised - Capital	445 947 000	311 456 478		311 456 478	122 032 987	(189 423 491)	-60.82%		27.36%
<b>Surplus/(Deficit) After Capital Transfers &amp; Contributions</b>	<b>465 808 500</b>	<b>21 341 431</b>	<b>-82 233 070.00</b>	<b>-294 167 098.00</b>	<b>(198 303 143)</b>	<b>(219 644 574)</b>	<b>74.67%</b>		<b>-42.57%</b>
<b>Surplus/(Deficit) For The Year</b>	<b>465 808 500</b>	<b>21 341 431</b>	<b>-82 233 070.00</b>	<b>353 333 291.00</b>	<b>(198 303 143)</b>	<b>(219 644 574)</b>	<b>-62.16%</b>		<b>-42.57%</b>
<b>Capital Expenditure &amp; Funds Sources</b>									
<b>Capital Expenditure</b>									
Transfers Recognised - Capital	335 946 848	311 456 478	-73 924 273	237 532 205	128 676 098	(108 856 107)	-45.83%		38.30%
Public Contributions & Donations	8 419 513	17 319 512	-	17 319 512	5 142 662	(12 176 850)	-70.31%		61.08%
Borrowing	117 262 719	111 028 537	-2 984 794	108 043 743	70 140 251	(37 903 492)	-35.08%		59.81%
Internally Generated Funds	245 655 297	216 476 882	-5 324 003	211 152 879	97 286 573	(113 866 306)	-53.93%		39.60%
<b>Total Sources Of Capital Funds</b>	<b>707 284 377</b>	<b>656 281 409</b>	<b>-82 233 070</b>	<b>574 048 339</b>	<b>301 245 584</b>	<b>(355 035 825)</b>	<b>-61.85%</b>		<b>42.59%</b>
<b>Cash flows</b>									
Net Cash From (Used) Operating	569 963 881	426 373 000	-	426 373 000	238 490 286	(187 882 714)	-44.07%		41.84%
Net Cash From (Used) Investing	(683 020 889)	(434 415 000)	-	-434 415 000	(303 582 121)	130 832 879	-30.12%		44.45%
Net Cash From (Used) Financing	181 356 400	158 640 000	-	158 640 000	137 045 525	(21 594 476)	-13.61%		75.57%
<b>Cash/Cash Equivalents At The Beginning of the Year</b>	<b>87 211 000</b>	<b>(56 180 568)</b>	<b>-</b>	<b>(56 180 568)</b>	<b>(56 180 567)</b>	<b>1</b>	<b>0.00%</b>		<b>-64.42%</b>
<b>Cash/Cash Equivalents At The Year End</b>	<b>155 510 392</b>	<b>94 417 432</b>	<b>-</b>	<b>94 417 432</b>	<b>15 773 122</b>	<b>(78 644 310)</b>	<b>-83.29%</b>		

# MBOMBELA LOCAL MUNICIPALITY

## SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### APPENDIX F

#### DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT

APPOINTED SERVICE PROVIDER	TOTAL PER SUPPLIER	EMERGENCY	SINGLE PROVIDER	EXCEPTIONAL CASES
2010 Experts	15 770		-	15 770
600sa	7 916	-	-	7 916
A.I Spinney	3 100	3 100	-	-
A.J Broom Road Products	186 765	-	186 765	
Abakwamvuleni Trading	11 770	11 770	-	
Abarazane Trading Cc	11 041	-	-	11 041
Actom Nelspruit	40 605	-	-	40 605
Adre Steel & Welding	9 690	9 690	-	-
Adriaan Labuschagne Landmeters	7 070	-	-	7 070
Afcom Nelspruit	453	-	-	453
Affsaf	620	-	-	620
Afgri Operations Ltd	2 143	-	-	2 143
Aircon World	5 404	-	-	5 404
Alcari 73	29 896	29 896	-	-
Alco-Safe Cc	35 127	-	-	35 127
All Golf Ground	42 220	-	-	42 220
Altec Auto Electrical	75 444		-	75 444
Amber Electrical	189 058		-	189 058
Ameu Convention	2 970	-	-	2 970
Andre Steel & Welding	889	-	-	889
Antwone Trading	5 000	5 000	-	-
Apiesdoring Tree Felling Services	4 500	-	-	4 500
Arint Consulting Engineers	70 315	-	-	70 315
Asoneni Build It	29 031	-	-	29 031
Association Of Municipal Electricity Undertaking	4 245	-	-	4 245
At Home Living Space	5 374	-	-	5 374
Austen Locksmits Cc	285	285	-	-
Auto Engineering T/A Cylinder	1 260	-	-	1 260
Autoquip Tyres & Wheels	4 320	-	-	4 320
Avusa Media Investments	667 906	-	-	667 906
B.P Mpumalanga	499	-	-	499
Babata Pump (Pty) Ltd	115 870	-	-	115 870
Babinada Tau Craft	12 000	-	-	12 000
Barberton Community Radio	2 600	-	-	2 600
Barloworld Equipment	233 947	-	-	233 947
Barprint	37 645	-	-	37 645
Barry Theron Electronics Cc	1 345	1 345	-	-
Battery World	650	-	-	650
Bay City Trading 337 Cc	9 000	-	-	9 000
Bell Equipment	192 079	-	-	192 079
Berco Express	16 628		-	16 628
Bls Media Ltd	11 426	-	-	11 426
Bobb's General Trading Cc	10 366	10 366	-	-
Boekenhoutkloof Traffic College	3 535	-	-	3 535
Bontage Business Implementations	455 000	-	-	455 000
Bourg Tlaren Electrician	3 990	-	-	3 990
Breakdown Specialists	54 801		-	54 801
Bruniquel & Associates Inland	12 874	-	-	12 874
Bryanston City Lodge	1 078	-	-	1 078
Budget Van & Truck Rental	33 890	-	-	33 890
Buhle Bem Africa	9 000	-	-	9 000
Bulk Mail Northern Region	746	-	-	746
Bundu Country Lodge	360 770	-	-	360 770
Bundu Lodge	49 715	-	-	49 715
Buscor	4 154	-	-	4 154
Bush Unlimited	24 730	-	-	24 730
Business Connexion	9 295	-	-	9 295
C&R Constructors	10 300		-	10 300
C. Moshoeu	4 000	-	-	4 000
C.G Botha Logistics 2000	15 447	-	-	15 447
Camp And Gas	1 440	-	-	1 440
Camtrac	42 750		-	42 750

# MBOMBELA LOCAL MUNICIPALITY

## SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### APPENDIX F

#### DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT

APPOINTED SERVICE PROVIDER	TOTAL PER SUPPLIER	EMERGENCY	SINGLE PROVIDER	EXCEPTIONAL CASES
Canon	7 519	-		7 519
Car Towing Services	2 343		-	2 343
Cat Trap	7 500		-	7 500
Centro Signs	4 845	-	-	4 845
Chaos Mash Trading	14 770	14 770	-	-
Chapmar Industries Cc	8 208	-	-	8 208
Chem - Tech	18 645	-	-	18 645
Chiloane S.C	400	-	-	400
Chri-Le Graduation Wear	3 500	-	-	3 500
City Lodge Fourways	2 399	-	-	2 399
Ck Plumbing And General Supplies	5 130	5 130	-	-
Cliffords Technical Services	45 372		-	45 372
Colas South Africa (Pty) Ltd	15 561	-	-	15 561
Computers On Call	28 620	-	-	28 620
Conlog	10 640	-	-	10 640
Conway General Suppliers Cc	152 634		-	152 634
Cool Point	22 338	-	-	22 338
Copitec	7 208	-	-	7 208
Coppercraft Africa (Pty) Ltd	1 140	-	-	1 140
Costa Do Sol	62 410		-	62 410
Crane & Forestry Equipment	4 868	-	-	4 868
Crawley's Locksmith	15 800	15 800		-
Croco Thela	2 040	-	-	2 040
Crossing Super Spar	1 784	-	-	1 784
Cruise Bush Clearing Enterprises C.C	60 016		-	60 016
Cv & Propshaft Exchange Services	5 955	-	-	5 955
Cyrus Projects Cc	43 465		-	43 465
D Mac Hydraulics & Engineering	50 582		-	50 582
Daa Music Production	15 000	-	-	15 000
Daikin Air Conditioners	2 679	-	-	2 679
Daklaas And Rothman Trading	3 200		-	3 200
Damelin Lowveld	128 806	-	-	128 806
Dan Plumbing And Drain	830	830	-	-
Daniella Trading	8 400	8 400	-	-
Dawson And Dobson	12 599		-	12 599
Dept. Of Public Works, Roads & Transport	18 763	-	18 763	-
Dhl Express	4 048	-		4 048
Didimalah Trading	42 000	-	-	42 000
Diesel Electric Mbombela (Pty) Ltd	11 053	-	-	11 053
Dj Bosman Attorneys	12 047	-	-	12 047
Dmc Conference Facility	9 394	-	-	9 394
Dolerite	3 400	3 400	-	-
Doman Weitsz Attorneys	112 406	-	-	112 406
Don Gresswell Library Product	17 203	-	-	17 203
Dos Santos	1 760	-	-	1 760
Dr. Aw Hollmann & Ass	850	850	-	-
Dr. Ri Gangat	3 000		-	3 000
Durant Civils	268 146	-	-	268 146
E.N Mnisi	800	-	-	800
E.T Thwala	6 400		-	6 400
Earth 2 Earth	11 530	-	-	11 530
Eastern Transvaal Rubber Stamps	1 032	-	-	1 032
Eddies Transport	2 900	-	-	2 900
El-Car Panelbeaters	3 401	-	-	3 401
Electra Box Cc	138 301		-	138 301
Elijah Mnisi	800	-	-	800
Elster Kent Metering	83 520		-	83 520
Emergency & Health Care Training Academy	7 400	-	-	7 400
Emnotweni Arena	75 000	-	-	75 000
Empact Enviromental Consultants	70 110	-	-	70 110
Endumbeni Restaurant	41 750	-	-	41 750
Engen Blue Haze	612 149	-	-	612 149

# MBOMBELA LOCAL MUNICIPALITY

## SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### APPENDIX F

#### DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT

APPOINTED SERVICE PROVIDER	TOTAL PER SUPPLIER	EMERGENCY	SINGLE PROVIDER	EXCEPTIONAL CASES
Eric Mutobvu	800	800	-	-
Esme's Framers	24 960	-	-	24 960
Events By Lee- Ann	17 600	-	-	17 600
Evergreen Seedlings	12 825	-	-	12 825
Exclusive Books	31 013	-	-	31 013
Exreme Signs	600	-	-	600
Ezigro Seedlings	50 320	-	-	50 320
F & R Phakisa Operations	118 501	-	-	118 501
F&R Catai Transport Solution	8 879	8 879	-	-
F.J Maintainance & Repairs	821	821	-	-
Fakude James	800	-	-	800
Felicide	9 854	-	-	9 854
Fire Protection Association	80 644	-	80 644	-
Fishwick's Nursery	2 000	-	-	2 000
Fleet Street Publications	844	-	-	844
Floreat Riverside Lodge	41 760	-	-	41 760
Fnb Conference & Training Centre	5 404	-	-	5 404
Focus Forms Cc	47 274	-	-	47 274
Forest Agri (Pty) Ltd	1 969	-	-	1 969
Forever Resorts	24 340	-	-	24 340
Forms Media	2 583	-	-	2 583
Forum Pharmacy	2 516	-	-	2 516
Fountain Square Trading 192	95 988	-	-	95 988
Freddy J Nkambule	1 538	-	-	1 538
Funchal Rest	3 332	-	-	3 332
Funulwazi Trading Cc	21 820	21 820	-	-
Gaint Inflatable	7 980	-	-	7 980
Galant Security	172 452	-	-	172 452
Gallagher Fencing	23 136	-	-	23 136
Gauteng North Lifesaving	4 290	-	-	4 290
Gayindlela Enterprises	800	-	-	800
Gearbox & Diff Services	41 493	-	-	41 493
Gemden Body Spares Cc	502	-	-	502
Gestetner	2 108	-	-	2 108
Glassfit Nelspruit	520	-	-	520
Global Africa Network	82 080	-	-	82 080
Gm Sihlangu Construction	11 000	11 000	-	-
Gobodo Forensic & Investigative Accounting (Pty) Ltd	4 275	-	-	4 275
Golonga Services	728	-	-	728
Government Printer Mpumalanga Prov Gazette	122 875	-	122 875	-
Green Cross	610	-	-	610
Gunther Bush Clearing	67 495	-	-	67 495
Gvm Supplying Services	2 648	-	-	2 648
H. Neethling	11 120	-	-	11 120
H20 Internationa	285	-	-	285
Happy People Trading	31 920	-	-	31 920
Haringeta, Kgokolo-Mmakole Trading And Projects Jv	279 392	-	-	279 392
Harvey World Travel	41 999	-	-	41 999
Hasler Business System	5 472	-	-	5 472
Hi- Tech Security Sohlanguana Trading 1990	325 000	-	-	325 000
Hitachi	11 020	-	-	11 020
Hloyasana Electrical Technologies	72 315	-	-	72 315
Honda Nelspruit	20 847	-	-	20 847
Honey Bee Healthy	8 150	-	-	8 150
Horizontal & Vertical Drilling	17 670	-	-	17 670
Hot Stuff Electrical	4 291	-	-	4 291
House And Home	1 249	-	-	1 249
Hydro Doors	1 568	-	-	1 568
Ibutho Projects	149 919	-	-	149 919
Icon Display South Africa	144 096	-	-	144 096
Ieb	6 765	-	-	6 765
Ifalethu	21 637	-	-	21 637

# MBOMBELA LOCAL MUNICIPALITY

## SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### APPENDIX F

#### DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT

APPOINTED SERVICE PROVIDER	TOTAL PER SUPPLIER	EMERGENCY	SINGLE PROVIDER	EXCEPTIONAL CASES
Ikwezi Maintenance & Communication	45 012	-	-	45 012
Illuminate Trading	66 615	-	-	66 615
Imesa	15 500	-	15 500	-
Imisibi Training	4 674	-	-	4 674
Imperial Toyota Nelspruit	3 590	-	-	3 590
Impsa	11 150	-	11 150	-
Imvelaphandla Trading	19 900	-	-	19 900
Independent Examination Board	4 706	-	4 706	-
Industro Clean (Pty) Ltd	24 446	-	-	24 446
Ingwenyama Lodge	226 030	-	-	226 030
Inomkha Trading	7 620	-	7 620	-
Institute Of Internal Auditors South Africa	2 513	-	-	2 513
Institute Of Municipal Finance Officers	905	-	905	-
Instrument & Control System	11 958	-	-	11 958
Inteligent Commerce	6 999	-	-	6 999
International Liquors	26 088	-	-	26 088
It Web	4 737	-	-	4 737
J&M Security	44 485	-	-	44 485
J.T Khoza	2 250	-	-	2 250
James Fakude	2 550	-	-	2 550
Jetline	201 620	-	-	201 620
Jj Hydraulics	32 271	-	-	32 271
Jjat Property And Investmen	3 967	3 967	-	-
Joemary Security Cc	33 932	-	-	33 932
Johannes Mhlanga	400	-	-	400
John Maytham Investment Cc	83 289	-	-	83 289
Josmap Trading Cc	34 500	-	-	34 500
Juta & Company	705	-	-	705
Jvr Technologies	27 597	-	-	27 597
Kellys Cash Store	1 446	-	-	1 446
Kgotso Edward Banda	500	-	-	500
Khula Air Cc	36 563	-	-	36 563
Kies Toilet Hire And Enterprise	3 250	-	-	3 250
Kit Group	4 654	-	-	4 654
Knowledge Upgrade Management Cc	183 908	-	-	183 908
Koketso Mokone Interpreter	20 000	-	-	20 000
Komatsu	153 427	-	-	153 427
Kr Mahaule	2 400	-	-	2 400
Kruger-Moeletsi Attorneys	57 569	-	-	57 569
L.K Hydraulics Cc	162	-	-	162
La Farge	2 037	-	-	2 037
Labour Guide	2 990	-	2 990	-
Laeveld Bouhandelaars Bpk	30 996	-	-	30 996
Lake Kariba Plant	33 562	-	-	33 562
Lake's Autolec Cc	2 094	-	-	2 094
Laser Market	10 780	-	-	10 780
Lethuba Trading	6 954	6 954	-	-
Lexis Nexis	130 587	-	130 587	-
Leyane R.P	14 250	-	-	14 250
Lfp Agricultural & Construction	5 314	-	-	5 314
Lift & Shift Nelspruit	7 687	-	-	7 687
Ligcabho Letfu Ma Ma Africa Trading Enterprise	5 000	-	-	5 000
Light Be Lightning	12 941	-	-	12 941
Ligwalagwala Fm	6 669	-	-	6 669
Likhuleni M.L	3 440	-	-	3 440
Limpopo Traffic College	219 035	-	-	219 035
Liquor City	3 442	-	-	3 442
Liso Lelusha And Community Upliftment	22 230	-	-	22 230
Lithotech	17 371	-	-	17 371
Livewire Engineering & Consulting	7 355	-	-	7 355
Lowveld Bodyworks	969	-	-	969
Lowveld Building Suppliers White River	29 298	-	-	29 298

# MBOMBELA LOCAL MUNICIPALITY

## SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### APPENDIX F

#### DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT

APPOINTED SERVICE PROVIDER	TOTAL PER SUPPLIER	EMERGENCY	SINGLE PROVIDER	EXCEPTIONAL CASES
Lowveld Canvas Cc	12 575	-	-	12 575
Lowveld Compressor Services Cc	13 257	-	-	13 257
Lowveld Garage Equipment	16 043	-	-	16 043
Lowveld Maintenance & Plumbers	27 064	27 064	-	-
Lowveld Media	471 588	-	-	471 588
Lowveld Office Automation (Pty) Ltd	3 902	-	-	3 902
Lowveld Propshaft & Cv Joint Rebuilders	12 360	-	-	12 360
Luvelo Trading	28 963	-	-	28 963
M. Mathumbu	3 800	-	-	3 800
M. Mpila	5 090	5 090	-	-
M.A Ngwenya	800	-	-	800
M.M Sikonela	400	-	-	400
M.Q Maripane S.A Sign Language Interpreter	1 400	-	-	1 400
M.W Nkosi	1 200	-	-	1 200
Mabhelengwane Trading	8 096	-	-	8 096
Mabiva Trading Cc	14 984	14 984	-	-
Macbeth Ncongwane Attorneys	275 740	-	-	275 740
Mafondo Status Trading	800	-	-	800
Mahlalele B.A	1 200	-	-	1 200
Mahlasulela Construction & Suppliers	23 343	-	-	23 343
Mail & Guardian	446	-	-	446
Mailmech Electronics Pta (Pty) Ltd	25 650	-	-	25 650
Majaha Transport Services	208 620	-	-	208 620
Majura Projects	5 472	-	-	5 472
Makaringa M.P	800	-	-	800
Makhandakhanda Transport & Trading	4 050	-	-	4 050
Malindza Trading Enterprise Cc	119 473	-	-	119 473
Manana G.S	400	400	-	-
Mandla Nhlapho	1 600	-	-	1 600
Mandlakazi Electrical Technologies	18 730	-	-	18 730
Maghawe College	120 000	-	-	120 000
Marce Fire Fighting Technology	11 967	-	-	11 967
Marks Plumbing	555	-	-	555
Mashigwane General Trading	14 850	14 850	-	-
Mashova Kingdom Business	12 202	-	-	12 202
Masinga A.S	800	-	-	800
Matsulu Spar	3 552	-	-	3 552
Maxidor	9 358	-	-	9 358
Maxiflow Irrigation Contractors	7 843	-	-	7 843
Maxiprest Tyres	5 268	-	-	5 268
Mcondvo General Trading	4 073	4 073	-	-
Mdwane Trading	30 288	30 288	-	-
Medhold	4 008	-	-	4 008
Mega Hydraulics	5 440	-	-	5 440
Mega Repairs And Trading Cc	33 609	-	-	33 609
Meshack Shabangu	800	-	-	800
Mfrakana Steel & Fencing	44 186	-	-	44 186
Mgwenya D.M	800	800	-	-
Micromega	13 303	-	-	13 303
Midnight Star Trading 308	4 830	-	-	4 830
Minit Print Nelspruit	1 400	-	-	1 400
Minuteman Press	17 958	-	-	17 958
Mnisi E.N	4 000	-	-	4 000
Model Electric (Pty) Ltd	13 229	-	-	13 229
Mogorosi Communicaion Consultancy	13 429	-	-	13 429
Molemi Lmi Architects	94 876	-	-	94 876
Molokwu Trading	28 500	28 500	-	-
Montana Garden Pavilion	2 565	-	-	2 565
Mpatho Nyoni Event Mangement And Function Hire	82 399	-	-	82 399
Mphakatsi Electrical	10 300	-	-	10 300
Mphenyatsatsi Suppliers And Projects Cc	5 000	-	-	5 000
Mpumalanga Aluglass	14 894	-	-	14 894

# MBOMBELA LOCAL MUNICIPALITY

## SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### APPENDIX F

#### DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT

APPOINTED SERVICE PROVIDER	TOTAL PER SUPPLIER	EMERGENCY	SINGLE PROVIDER	EXCEPTIONAL CASES
Mpumalanga Copiers	4 494	-	-	4 494
Mpumalanga Digital Solutions	559	559	-	-
Mpumalanga Provincial Government	18 763	-	18 763	-
Mpumelelo Skonela	400	-	-	400
Mqondisi Cc	8 167	8 167	-	-
Mr Eddie J.M Tsubella Sign Language	4 000	-	-	4 000
Mr Price Group Ltd	4 519	-	-	4 519
Mr Shumba Amos	1 600	-	-	1 600
Msebenzi & Mbawu Business Enterprenuer	28 500	-	-	28 500
Msogwaba Motors	822	-	-	822
Mveli Madina Trading T/A Hi-Tech Guards Nelspruit	880	-	-	880
My Boet's Transport	24 350	-	-	24 350
My Office	12 175	-	-	12 175
Mzombath General Trading	4 900	-	-	4 900
N.A Nkosi	1 600	-	-	1 600
Nando's Hazyview	1 611	-	-	1 611
Nandos White River	949	-	-	949
Nashua Lowveld	38 567	-	-	38 567
National Alliance For Street Children	2 000	-	-	2 000
National Asphalt	267 202	-	267 202	-
Nbh Springs (Pty) Ltd	2 234	-	-	2 234
Ncetshe Construction	28 321	28 321	-	-
Nel Trophies Cc	18 336	-	-	18 336
Nelson Mandela University	19 998	-	-	19 998
Nelspruit Armature Winders (Pty) Ltd	5 837	-	-	5 837
Nelspruit Auto Electricals Cc	8 481	-	-	8 481
Nelspruit Auto Ford	24 431	-	-	24 431
Nelspruit Auto Mazda	74 662	-	-	74 662
Nelspruit Battery Warehouse	1 455	-	-	1 455
Nelspruit Compressors Cc	12 233	-	-	12 233
Nelspruit Crushers	81 658	-	-	81 658
Nelspruit Fuel Injection & Auto Electrical	20 539	-	-	20 539
Nelspruit Medi-Clinic	605	605	-	-
Nelspruit Radiator	300	-	-	300
Nelspruit Reinforcement Supplies	14 446	-	-	14 446
Nelspruit Rugbyclub	25 000	-	-	25 000
Nelspruit Vehicle Protection Services	8 846	-	-	8 846
Netcare 911- Nelspruit	6 600	-	-	6 600
Network Occupational Health Services	14 763	-	-	14 763
Ngamane Construction	800	-	-	800
Ngobe-Nkosi Attorneys	445 398	-	-	445 398
Ngwenyama Goodwil	5 000	-	-	5 000
Ngwenyama N.S	3 200	-	-	3 200
Nhlapho	800	-	-	800
Nic's Plumbing Services	2 720	2 720	-	-
Nisfarm Trading	1 050	-	-	1 050
Nkosana Supermarket	4 025	-	-	4 025
Nombuso Communications	109 692	-	-	109 692
Nomori Security Services	24 960	24 960	-	-
Nomvethe Loudhailing	1 200	-	-	1 200
Norse Projects	29 712	-	-	29 712
Nosa Nelspruit	32 130	-	-	32 130
Ntt Toyota	1 244	-	-	1 244
Numara Software	74 000	-	-	74 000
Numbi Motors	4 881	-	-	4 881
Nvp Services	5 928	-	-	5 928
Ocsa Academy Of Excellence	13 680	-	-	13 680
Odorcure (Pty) Ltd	12 266	-	-	12 266
Office Of The State Attorney Pretoria	9 733	-	-	9 733
Oliver's Restaurant & Lodges	13 200	-	-	13 200
Optimistic Skill Trading	56 496	-	-	56 496
Orange Restuarent	1 429	-	-	1 429



# MBOMBELA LOCAL MUNICIPALITY

## SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### APPENDIX F

#### DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT

APPOINTED SERVICE PROVIDER	TOTAL PER SUPPLIER	EMERGENCY	SINGLE PROVIDER	EXCEPTIONAL CASES
Orchard Spar	2 315	-	-	2 315
P& P Construction Services	5 700	-	-	5 700
P. Mawulane	400	-	-	400
Paulem Logistics	31 684	-	-	31 684
Payday Software Systems (Pty) Ltd	35 887	-	-	35 887
Pc Smith Pompe	281 940	187 256	-	94 684
Performance Panel Beaters	125 751	-	-	125 751
Pest Control	3 995	-	-	3 995
Peter Mawulane	400	-	-	400
Peter's Auto House	14 847	-	-	14 847
Phakisa Operation (Pty) Ltd	23 572	-	-	23 572
Philix And Sun Trading Cc	18 589	18 589	-	-
Pick & Pay (White River)	5 294	-	-	5 294
Pittek Lowveld Pty Ltd	1 472	-	-	1 472
Pk Lock Smith	1 500	1 500	-	-
Plasgrow Cc	8 454	-	-	8 454
Plumbing & Electrical	2 394	2 394	-	-
Plumbing Lady Trading Cc	120 437	120 437	-	-
Pool Tech	4 731	4 731	-	-
Pricewaterhouse Coopers	5 700	-	-	5 700
Princely Knowledge Consultin	5 500	-	-	5 500
Prodiba (Pty) Ltd	23 918	-	-	23 918
Produkta Motors	46 224	-	-	46 224
Projects 2010	15 000	-	-	15 000
Protea Bokewinkel	11 746	-	-	11 746
Protea Hotel - Parktonian All Suite	37 991	-	-	37 991
Protea Tyres Truck Den (Pty) Ltd	171 362	-	-	171 362
Pulse Electronics	29 645	29 645	-	-
Pumzi Trading	12 711	-	-	12 711
Purple Moss 1010	20 862	20 862	-	-
Quarilty Designs	7 200	-	-	7 200
Quick Fit Electrical Cc	360 771	-	-	360 771
Randburg Towers Hotel	5 760	-	-	5 760
Reuben Leyane	22 572	-	-	22 572
Ribs For Africa	16 268	-	-	16 268
Richdad Trading	42 444	-	-	42 444
Rising Sun Field Services And Maintenance	1 756	-	-	1 756
Ristar Communication Solutions	5 056	-	-	5 056
Riverside High Voltage	14 449	14 449	-	-
Rocky's Armature Winders	27 122	-	-	27 122
Rsh Specixlity Chemicals	2 052	2 052	-	-
Rudamans	64 296	-	-	64 296
Rufwil Electrical Pty Ltd	2 558	-	-	2 558
S. Nkosi	400	-	-	400
S.A Institute Of Valuers	10 950	-	10 950	-
S.A Labour Guide	1 490	-	1 490	-
Sa Canopy	2 802	-	-	2 802
Sabinet Online Ltd	22 758	-	-	22 758
Sadec	223 610	-	-	223 610
Salga Registration	3 000	-	3 000	-
Sandras Chairs	4 450	-	-	4 450
Sanoway	6 669	-	-	6 669
Sarpa	5 400	-	5 400	-
Sastm	546	-	-	546
Save Buil - Mica	646	-	-	646
Screen Rite	907	-	-	907
Sembcorp/Silulumanzi	39 717	-	-	39 717
Shabangu & Shilumane Attorneys	4 700	-	-	4 700
Sharp	11 216	-	-	11 216
Shilubane Shabangu Attorneys	11 000	-	-	11 000
Sibanhze Theatre Company	1 850	-	-	1 850
Sibiya T.B	1 232	-	-	1 232

# MBOMBELA LOCAL MUNICIPALITY

## SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### APPENDIX F

#### DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT

APPOINTED SERVICE PROVIDER	TOTAL PER SUPPLIER	EMERGENCY	SINGLE PROVIDER	EXCEPTIONAL CASES
Sikutu General Trading	24 000	-	-	24 000
Silinda Mokoena And Associates	102 324	-	-	102 324
Silwanebuphuya	5 726	5 726	-	-
Sipho Mhlabane	800	-	-	800
Sipho Simelane General Dealer	15 000	-	-	15 000
Sisonke Development Planners	103 722	-	-	103 722
Sitamanzi Contractors	120 948	-	-	120 948
Sitasive Trading	6 818	6 818	-	-
Siveleni Security Services	2 000	-	-	2 000
Sivesetfu Lodge	21 432	-	-	21 432
Sivutsumlilo Trading	1 900	-	-	1 900
Sjm Electrical	76 909	-	-	76 909
Slam Paper	1 485	-	1 485	-
Slam Paper Distributors	1 520	-	-	1 520
Slovakang Trading	9 850	9 850	-	-
Sneakers Edition	6 190	-	-	6 190
Snethemba Youth Explosion	18 000	-	-	18 000
Snf Suppliers	7 153	-	-	7 153
Snzck Time Café Nelsville	3 606	-	-	3 606
Somfungase Trading	6 925	6 925	-	-
Sothambo General Trading	3 705	3 705	-	-
Sotran Trading/Nes Café	79 425	-	-	79 425
South African National Parks	50 010	-	-	50 010
South African Nursing Council	5 590	-	5 590	-
South African Post Office	346 728	-	334 728	12 000
South African Road Federation	16 956	-	16 956	-
Sparks & Ellis Uniforms	3 420	-	-	3 420
Speedy Tyres & Exhaust	9 034	-	-	9 034
Spintelligent	17 998	-	-	17 998
Spray Air Services	24 071	-	-	24 071
Squiggles	11 700	-	-	11 700
Stadex Stationery	1 715	-	-	1 715
Stako Engineering (Pty) Ltd	8 550	-	-	8 550
Statistical Products And Services Solutions South Africa Cc	7 391	-	-	7 391
Steinmed Waste Management	22 267	-	-	22 267
Steward Gibson & Associates	11 400	-	-	11 400
Stratexcellmwale	31 920	-	-	31 920
Striving Mind Trading 984	7 000	-	-	7 000
Sud-Chemie	13 064	13 064	-	-
Supa Quick Auto Centre	4 233	-	-	4 233
Supek One Fence And Construction	28 161	-	-	28 161
Supsika Trading	16 879	-	-	16 879
Swanepoel & Partners	12 964	-	-	12 964
Swift Plumbing & Electrical	5 476	5 476	-	-
Sydney Mthunzi Kunene	1 200	-	-	1 200
Syntell	166 104	-	-	166 104
T.A Simelane	7 245	-	-	7 245
Takitsi Trading	16 400	16 400	-	-
Tankman Septic Services Cc	116 418	-	-	116 418
Technology Integrated Solutions	44 997	44 997	-	-
Temaswati Theatre Company	5 000	-	-	5 000
Terrapin Ltd	21 238	-	-	21 238
The Common Wealth Local Govt. Handbook	21 766	-	-	21 766
The Fever Three Nursery	9 461	-	-	9 461
The Institute Of Risk Management	104	-	104	-
The Karcher Clinic Cc	263	-	-	263
The Mattress Warehouse	29 920	-	-	29 920
The Next Century Trading	1 050	-	-	1 050
The Nutting House Lodge & Conference Facilities	312 897	-	-	312 897
The Railway Safety Regulator	3 000	-	3 000	-
The Rama Family	4 503	4 503	-	-

# MBOMBELA LOCAL MUNICIPALITY

## SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### APPENDIX F

#### DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT

APPOINTED SERVICE PROVIDER	TOTAL PER SUPPLIER	EMERGENCY	SINGLE PROVIDER	EXCEPTIONAL CASES
The Star	339	-		339
Tibane Consulting	31 624	-	-	31 624
Tidy Filling Solutions	4 559	-	-	4 559
Tinghabisa Trading Enterprises	5 580	-	-	5 580
Tiragalo Business Consulting	13 998	-	-	13 998
Tire Point Nelspruit	117 762	-	-	117 762
Tjitji Suppliers Cc	38 850	38 850	-	-
Tracker	1 265	-	-	1 265
Tracquip Services (Pty) Ltd	60 388	-	-	60 388
Tradevest 127 Cc T/S Michem	6 887	-	-	6 887
Traffic Sighals & Accessories	18 468	-	-	18 468
Transfarm Pharmacy	18 818	-	-	18 818
Travel Experience T/A Dana Agency	358 615	-	-	358 615
Tribatho Trading	3 000	3 000	-	-
Tri-Cor Signs	25 686	-	-	25 686
Truvelo Manufacturers Pty Ltd	33 781	-	-	33 781
Tshwelopele Funeral	25 650	-	-	25 650
Tsimane Power Maintenance Cc	268 045	-	-	268 045
Tswelopele Funeral Services	21 375	-	-	21 375
Ttt Spares	19 258	-	-	19 258
Turner Morris	22 986		-	22 986
Umpfompfo	1 705	1 705	-	-
Umzansi News	39 000	-	-	39 000
Union Motors	203 940	-	-	203 940
University Of Johannesburg	11 240	-	-	11 240
University Of Pretoria	127 450	-	-	127 450
University Of Witwatersrand	13 232	-	-	13 232
Uptown Trading 61cc	798	-	-	798
Uxhumano Communications/T/A Zwiwaphi	61 183	-	-	61 183
V.M Fakude	1 526	-	-	1 526
Vacamori Security	84 691	-	-	84 691
Van Schaik Book Store	71 908	-	-	71 908
Van Wettens Breakdown Services	9 115	-	-	9 115
Variprint Systems Cc	5 588	-	-	5 588
Vision 2000	570	-	-	570
Vision Tree	22 800	-	-	22 800
Vivier Trust	7 125	-	-	7 125
Vpk Business Venture	90 000	-	-	90 000
Vulcania Industrial Suppliers Cc	3 921	-	-	3 921
Vunella Aircons	65 793	-	-	65 793
Vusi And Gift Trading	13 053	13 053	-	-
Waltons Stationery	64 289	-	-	64 289
Water Institute Of Southern Africa	19 836	-	-	19 836
Waterstop Construction	9 822	9 822	-	-
Wendy Lane Cc	18 580	-	-	18 580
Wentzel Auto Clinic	23 658	-	-	23 658
Wes Eye Opening Research & Strategis	1 200	-	-	1 200
Westvaal Nelspruit	25 578	-	-	25 578
White River Lawnmowers	15 204	-	-	15 204
Windeed	4 182	-	-	4 182
Wine Actually Cc	711	-	-	711
Winmar	38 369	-	-	38 369
World Based Trading Cc	14 250	14 250	-	-
Worx Of Africa	12 415	-	-	12 415
Xerox	11 864	-	-	11 864
Xps Speed Services Couriers	12 047	-	-	12 047
Xumalo Communication	2 127	-	-	2 127
Xxx Trading 10 Events & Coporate Printing	5 130	-	-	5 130
Yinhle Imvelo Trading	4 000	-	-	4 000
Yoosa On The Move General Trade Cc	27 246	-	-	27 246
Yours Personally	2 107	-	-	2 107
Yoyinas Trading	7 000	-	-	7 000

**MBOMBELA LOCAL MUNICIPALITY**

**SUPPLEMENTARY SCHEDULE TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**APPENDIX F**

**DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT**

<b>APPOINTED SERVICE PROVIDER</b>	<b>TOTAL PER SUPPLIER</b>	<b>EMERGENCY</b>	<b>SINGLE PROVIDER</b>	<b>EXCEPTIONAL CASES</b>
Zane Building Projects	26 684	-	-	26 684
Zanele Mbokazi	15 000	-	-	15 000
Zest Restaurant	1 426	-	-	1 426
Zitha's Transport	3 500	-	-	3 500
Zmg- Watech	50 890	-	-	50 890
Zozo Trading	58 225	-	-	58 225
<b>TOTAL</b>	<b>19 858 290</b>	<b>966 312</b>	<b>1 251 173</b>	<b>17 640 805</b>